[illegible] ADVANCED BECAUSE OF GOOD MANAGEMENT

The MAGAZINE of WALL STREET

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WORLD

COMMERCE

FINANCE

SOUND INVESTMENT

BIG BUSINESS

EDITED BY

Richard D. Wyckoff

The Twelve Stocks Which Experts Like Best

Will the Rise in Sterling Hold?

—A Symposium by Leading Experts—

How the Railroads Have Recovered From Government Control

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With the Editors

Are You Working for Your Broker or Yourself?

THE following conversation took place between an experienced Wall Street man and an experienced nurse who happened to be called in to help carry him through a case of grippe. It seems that for a few weeks previous the nurse had not felt justified in taking a case, owing to her interest in the stock market; and the only reason she took this one was that the doctor persuaded her that the Wall Street man might be of some assistance to her. We give the conversation about as it occurred, allowing for corrections and lapses of memory.

Nurse: *What do you think of Baldwin Locomotive?*

Wall Street Man: Well, it's a good stock, but I suppose you mean what do I think its chances are for going higher?

N.: *Yes.*

W. S. M.: Well, I think it has a good chance of going higher, but I don't like the looks of the market in general.

N.: *You think the market might go down? Perhaps I'd better sell.*

W. S. M.: I think it's going down after it goes through a few more motions, but perhaps not very far down at present. Apparently you're quite a speculator, or you wouldn't be trading in a stock like Baldwin.

N.: *Yes, I'm carrying several hundred shares on a $5,000 margin.*

W. S. M.: How long have you been in the market?

N.: *Five or six years.*

W. S. M.: Have you made any money? How would you stand if you closed out everything tonight?

N.: *About $7,000 to the bad.*

W. S. M.: On what do you base your operations? Are you an experienced student of security values?

N.: *Oh no! I read in the paper that the future of some stock is a good one, or sometimes, usually quite often, in fact, my broker calls me up and tells me that I can make a hundred dollars today by buying such and such a stock, and very often I do what he suggests.*

W. S. M.: Do you ever limit your risks by using stop orders?

N.: *No, never! I don't know anything about stop orders.*

W. S. M.: Do you let your profits run?

N.: *No, as soon as my broker sees that I have a point profit he calls me up and tells me to sell, and then suggests something else for me to buy instead.*

W. S. M.: That's a fine kind of a broker you've got. You could never get a five or a ten-point profit with him. Do you mean to say you never limit your losses, but you take only one-point profits?

N.: *Yes.*

W. S. M.: That's reversing the old Wall Street rule of cutting your losses short and letting your profits run. *You* cut your profits short and let your losses run. The wonder to me is that you haven't lost more than $7,000 in five years. I think you've done very well. Have you had the same broker all that time?

N.: *No, I had one other, but he worked the same way.*

W. S. M.: Well, don't you see that that kind of broker is working in his own interest, and not in yours? He had his eye more on the commissions

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In the Next Issue

TEN LAGGARDS IN THE STOCK MARKET

Though the stock market has advanced to a very high point and many issues have scored substantial gains in the past few months, there are a surprising number of stocks which for one reason or another have failed to participate in the movement to any important degree. These issues are not confined to any one group but are spread over the rails, utilities, metals and other leading industries. We have sifted this list and selected what appears to be the ten most promising opportunities. This article should be worth the attention of every investor who desires to improve his position.

THE TREND OF INDUSTRY

It is always important for investors to understand clearly the position of the leading industries, for if they do not, they will find it difficult to obtain a definite impression of the outlook for earnings. As dividends and market price of stocks depend on earnings, it is obvious that the trend of industry is a very important consideration. In the next issue, we present our views of the business situation and outlook for leading industries.

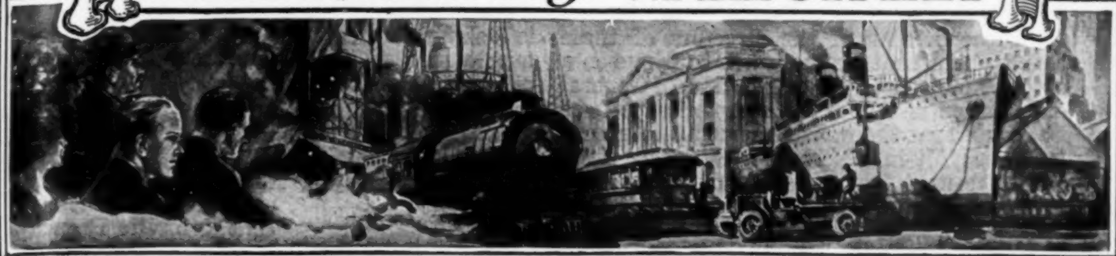
HOW TO EXERCISE "RIGHTS"

In this era of stock financing in which many companies are issuing new stock on favorable terms to their stockholders, it is important to have a clear understanding of the value of these "rights." Few subjects related to investment seem so hard for investors to understand. Yet it is an essentially simple process. We have reduced the various factors relating to "rights" to their simplest proportions and we believe that close reading of this article will be found valuable and helpful by every investor.

INCOME TAX DEPARTMENT

This is the last appearance for the year. We shall this time print a score of inquiries and answers on income tax matters, selected from the view-point of the average taxpayer. This instalment of the department should help you in filling out your income tax blanks. Incidentally, all subscribers to THE MAGAZINE OF WALL STREET have the privilege until March 9 to send in their questions. These will be answered personally. Send them in to the Income Tax Department.

The MAGAZINE of WALL STREET



BANKING EDITOR H. PARKER WILLIS | EDITOR RICHARD D. WYCKOFF | MANAGING EDITOR E. D. KING

INVESTMENT & BUSINESS TREND

Buying on Credit—Commodity Price Changes—Dividend Increases—Common Sense and the Utilities—Imitative Speculation—The Market Prospect

IN no country on the face of the globe has the practice of the instalment-plan purchase gone so far as in the United States. Since the ending of the war, the tendency has been especially marked. This may be directly attributed to the fact that the absorptive capacity of the country is less than the capacity to produce. Our exports are limited more or less to such staples as wheat, cotton, petroleum products, copper and raw commodities. Exports of manufactures are quite small in comparison with the manufacturing capacity.

The result is that manufacturers are forced to fall back upon the home market in order to find an outlet for their goods. Unfortunately, as large as it is, it is not large enough to absorb all these goods without the stimulation of intensive selling. Competition has been so keen consequently that various sorts of inducements have to be offered the consumer. Among the most important of these is the offer to sell him goods on the deferred-payment plan. Since the method of sale can never alter the fact that the potential capacity to produce is greater than the potential capacity to consume, it follows that the benefit received by the seller through the instalment-plan method is temporary and for the most part illusory. To put it more simply, an increasing number of people are found to buy goods without their being in a position to pay for them either at the time of purchase or at a future date.

The pyramiding of this credit structure has proceeded with such speed in the past few years that it may be said to have altered our sales methods. The more conservative countries abroad look askance upon these developments. The fact that we have not been able to employ the deferred-payment plan abroad with any great degree of success shows the essentially unsound nature of the prevailing business practice. In a period of credit and money ease such as the present, it is reasonable to suppose that the instalment-plan system will not have pernicious effects. It is easy, however, to conjure up the situation that will arise when it again becomes difficult to borrow money.

THE PRICE TREND

DURING the past two weeks, a halt has been called on the upward trend of commodities. Except in wheat, however, no real weakness has been uncovered, other important staples remaining more or less stationary. This represents the inevitable reaction from the steady rise in prices which took place in the latter few months of 1924 and the early part of this year. Consumers have generally had their first quarter requirements filled and prefer to test their own markets before again committing themselves heavily. Probably, the reaction will last only several weeks and then the underlying strength of the situation should manifest itself.

DIVIDEND CHANGES

SINCE the beginning of the year, no less than a dozen important corporations have either declared stock dividends "extras" in cash or have raised their regular cash dividends. This is a reflection of good business in these cases. It also repre-

sents the opinion of the directors of these corporations that business will continue on a satisfactory basis for some time. General expectation is that other companies will see fit to increase their disbursements to shareholders. All in all, from a dividend viewpoint the next few months should be favorable to stockholders.

STRENGTH IN UTILITY SITUATION

THE recovery in public utility earnings by this time has become an old story. Most of the more representative companies have not only regained their former earning power but have long since resumed or increased their dividends. Now some of the smaller companies which have had greater difficulty in raising themselves to a sound earning basis, are gradually "coming back." This is important because public investment in utility securities is second only to that in the railroads themselves. Re-establishment of public utility earning power has been a fortunate development from the security holder's point of view.

It is well that they should understand that perhaps the primary reason for the recovery of their companies is the enlightened attitude assumed during the past few years by the various Public Utility Commissions. The old "trust-baiting" practices have largely disappeared; in their place has come official recognition of the needs of public utility companies and the fact that public utility service depends directly on their ability to earn a fair amount on the investment. Two parties have been benefited, first the public which is receiving dependable service, and second, the investor, who is now receiving a fair return on his investment. This could have come about only through adoption of commonsense methods in public utility regulation. Perhaps the State authorities should be congratulated as well as the rest.

SMALL SPECULATORS

THE spectacular fluctuations in a group of highly speculative stocks under the *aegis* of a renowned speculator has had the effect of encouraging the "small fry" to seek out similar opportunities in other stocks "which have not yet had their move." The allurement of quick and big profits has always stimulated public imagination. The present situation is no exception. A few will be lucky enough to hit it right, but most of the hardy adventurers will have to pay the inevitable price. In the meantime, the cautious, experienced investor is looking about carefully for those sound issues which yield a fair return and whose prospects are favorable.

DECLINE IN THE "FRANC"

THE wave of pessimism engendered by the recent drop in French franc quotations has its basis in the growing world appreciation of the fact that the French Government has not balanced its budget and that in the past few years it has been resorting to unsound methods of national finance. That the nation realizes its plight may be adduced from the frank speech of Premier Herriot that new and sound methods of financing would have to be adopted if economic disruption were to be avoided. Probably, the only way in which France can regain economic equilibrium is (1) to retrench severely in its Governmental expenditures and (2) to raise taxes. The latter would undoubtedly have the effect of driving a good deal of capital out of the country but this risk must be taken for the time being if the budget is to be balanced. It will be seen that the present represents a critical period in French finance.

THE MARKET PROSPECT

WITH the business situation, following the February lull, showing signs of an early revival, no ground can be discovered which might lead to stock market pessimism on that score. Steel operations continue high, railroad traffic is of tremendous proportion, commodity prices are firming up again after the recent reaction and distributive trade is increasing. Though the long-term outlook is that money rates will advance, there is no present uneasiness on that score.

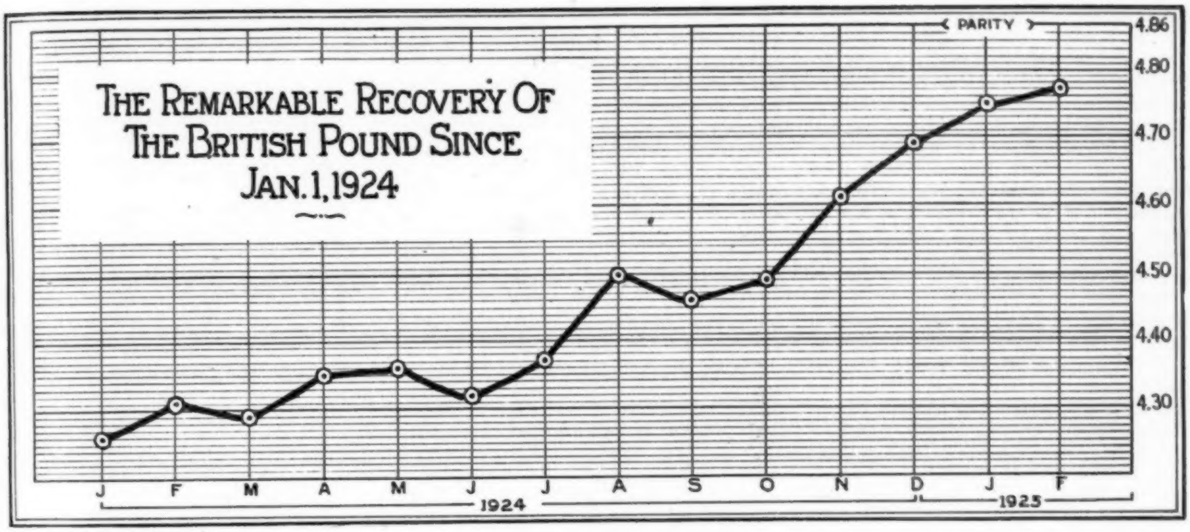
The stock market decline of mid-February had the appearance of sudden liquidation by weak holders. At the low levels many people who had previously liquidated and who were waiting for a substantial reaction, stepped in and supplied the best kind of buying the market has seen for many weeks, resulting in a considerable shifting of stocks into strong hands. By the end of last week the market had again assumed a broad, active, advancing tendency. With the encouragement derived from the fact that Congress is about to adjourn and the further increase in confidence that should naturally follow additional signs of improving business, there is more reason than ever to respect the old Wall Street adage, "Never sell stocks short when the sap is running up the trees."

Saturday, February 21, 1925.

Is Our Economic Prestige Threatened by the Come-Back of Sterling?

How the Development Is Viewed by Official Washington and Financial New York

Exclusive Statements for THE MAGAZINE OF WALL STREET



"WE SHOULD WELCOME THE RECOVERY," WASHINGTON BELIEVES

Development Accepted as Sign of Rising International Confidence

By THEODORE M. KNAPPEN

THE prospect that the pound Sterling will soon be at par with the dollar and that the United Kingdom will resume specie payments has sent a thrill of joy throughout the nations; if Washington with its hundred odd international commissions, agencies, legations and embassies may be taken as a mirror of the world. Everywhere, in what has become the most important capital in the world the rise of the pound to its former eminence is accepted as a sign that the storms that have rocked the nations since 1914 are virtually over.

Nowhere is belief in this sign firmer than in the Department of the Treasury and the various financial agencies that are associated with it. The writer has talked with a number of high officials of the Treasury about the significance of the rehabilitation of the pound. The moment is so critical and the situation so delicate and so susceptible to untoward reactions from expressions of opinion emanating from such a center of financial power as the U. S. Treasury—like a convalescent patient, whom the slightest draft may imperil—that these officials consider public silence the part of prudence. A composite of their views, however, would probably not differ much from the following statement by one who is in a very high position in the government.

"We should welcome the return of the British pound sterling to par and the resumption of the gold standard by the United Kingdom. The two are closely related and it is significant of the confidence inspired in England by the approach of the pound to Sterling par that the British Chancellor of the Exchequer was quoted the other day as saying that the British Treasury Department contemplated an early resumption of gold payments.

"With the pound at par and redeemable in gold the whole world will feel that normalcy, if not actually realized is near at hand. It will be a sign that the economic aftermath of the World War is substantially consigned to the past. The psychological effect on business the world over will be profound. London has been regarded for ages as the cornerstone of the world's financial structure. When London was at a discount in the world's exchange and the pound was not redeemable in gold the natural effect was to create and maintain financial doubt and pessimism everywhere. But with the pound as good as gold again the world will feel that it is once more stable. The effect can hardly be otherwise than stimulating to all international, commercial and financial relations.

"Of course England's come-back will militate against American international financial supremacy. We may lose a little prestige thereby, but we shall not lose anything substantial. We shall continue to have more opportunities for international financial operations than we shall care to exercise. We shall continue to be the world's chief creditor nation, for only we have the ability to extend credit on a large scale; but our credits will be all the firmer for Britain's come-back. Everyone will feel that the good, old times are here again when London functions as the world's clearing house once more.

"I consider that the restoration of the pound to dollar par will be very helpful to British state finance. It will facilitate the mechanics of payments of interest and instalments on

"WILL NEW YORK BE ECLIPSED?"

(*A Washington View*)

"Sterling at par and a free gold market in London . . . will help our trade on the import as well as the export side. . . . It does not mean that New York will be eclipsed. There will be plenty of work for both money markets."

the principal of the British debt to the United States. It will also facilitate the purchase of American goods by Britain when the prices thereof are no longer loaded with exchange premium.

"The chief benefit to Britain, however, will be that England will once more have the monetary basis of trade stability. With the pound fluctuating back and forth by large margins her international trade was subject to the greatest difficulties.

"It should not be forgotten that the United States has contributed powerfully to the return of the pound to par by reason of our large foreign loans during the past year. They have created a corresponding amount of exchange in the United States, much of which has come under British control and helped Great Britain to meet, without shipping gold, her adverse balances here.

"The return of the pound to its former eminence of respectability is an effect rather than a cause. It is the gauge of rising confidence the world over. The world is rapidly recovering from the losses and disruptions of the war. Even those countries that are still afflicted with highly inflated currencies are very patently reviving. Inflation remains but currencies are becoming stable. The world can get along with almost any kind of money only as long as it is stable.

"The facts are repudiating most of the prophets. They demonstrate that all the talk about the débâcle of Europe, the collapse of civilization, etc., are nothing but bad dreams.

"With the world commercially stable again the United States will lose some of its temporary advantages of being stable with instability all about it. On the other hand, more business will come to us, despite increased and more formidable competition. Business makes business, and though competition will make inroads here and there the total of our business is certain to be larger if the world's is."

EFFECT ON AGRICULTURE DOUBTFUL

By Louis G. Michael

Foreign Agricultural Economist, U. S. Department of Agriculture

"THE United Kingdom has been the most dependable market America has had for cotton, wheat, pork products, tobacco, fruits and various other agricultural products, and in all probability will continue to remain so in spite of all the efforts of the mother country to distribute preferential favors to her Dominions. The amounts of our products taken through the British ports generally maintain a more nearly constant relation to our surplus and price than to differences in rates of our dollar exchange.

"Undoubtedly it is a fact that the rise of sterling exchange nearly to par will tend to facilitate British purchases during the coming year and American agricultural products should enjoy with American manufactured goods a proportionate share of this improved trade status.

"On the other hand, the rise in sterling exchange will react to make the sale of British products abroad somewhat more difficult. Recognizing the elementary principle that a country exports its surplus in order build up credits with which to purchase the things its people require, it may be found that this apparent good effect of the return of the pound sterling toward par will meet with compensating or neutralizing effects in the general international trade situation as far as American agricultural products are concerned. Great Britain cannot for long purchase American foodstuffs and cotton on a basis of exchange of American goods for British gold. Healthful trade in our agricultural products can best be established upon a basis of our accepting British goods in payment.

"The United Kingdom, as well as any other nation overseas, seeks out those selling markets with which trade relationships are most readily established and in which manufactured products can be most easily disposed of. In this regard, most other agricultural surplus producing nations are in a more advantageous position than is the United States. Their cost of production is less than ours, transportation charges to ports are less, the exchange rate of their money is less than ours, and their import tariffs on manufactured goods are in general not so high as our own. Our single position of advantage is that we can extend credit; but that in the long run is not practical.

"As far as our export trade in agricultural products is concerned, the rise in the sterling exchange will tend to facilitate cash purchases in this and other countries. The benefits to be derived are, however, so obscured by other factors that it is impossible to estimate the probable effect of this single factor upon our trade in wheat, cotton, meats and other farm products."

WE SHOULD SUPPORT THE RECOVERY

By Grosvenor M. Jones

Chief Financial Investment Division U. S. Department of Commerce

"THE British have been surprised, and gratified no doubt, at the marked interest which the American public has shown in the upward movement of sterling exchange. Expressed as it has been by the purchase of sterling securities and in other ways, this confidence in the ability of the British is an important factor in the rise of sterling.

"Our interest is as enlightened and far-sighted as it is genuine. Parity for the pound means the restoration of normal conditions in international trade and finance. The United States is vitally concerned in having normalcy restored.

"London has been for generations the premier money market and the clearing house for the settlement of balances in international trade. Until, however, London gets back to a free-gold basis, that money market cannot function in proper fashion.

"If all goes well, sterling should continue its rise but one can not be so confident about the lifting of the embargo on gold exports as soon as parity is reached. Undoubtedly before taking this step London, with its customary conservatism will wait to see how well exchange holds around par and how British trade reacts to the higher exchange level.

"Through the immense volume of foreign loans issued here during recent months, this country has done much to relieve the stringency of international credit. But more significant so far as London is concerned are the large credits extended by our banks to Sweden, Denmark, and other countries for the purpose of steadying their exchanges, for this is a plain indication of our desire to help other countries to get back to and to continue on the gold standard. This was in pre-war days an important function of the London money market; it is even more important today. If London can count on our carrying a large part of this

burden, it will feel less hesitancy in re-establishing the free movement of gold.

"As the possessor of nearly 50 per cent of the world's stock of monetary gold, we are desirous of having gold restored to its use as international currency, and all sound measures tending to bring sterling to par should, therefore, be strongly supported here, since London's action will be decisive in this respect.

"With sterling at par and later with a free gold market in London, fluctuations in the various foreign exchanges will be held within the narrow limits of the gold points and world prices of commodities will be stabilized to the benefit of all nations. This will help our trade on the import as well as on the export side, for it will make business safer. It will be the last step that London has to take to regain its pre-war position. This, however, does not mean that New York will be eclipsed. Not at all. There will be plenty of work for both money markets and for some years to come London will be only too glad to have New York share the honors—and, of course, the responsibilities."

EFFECTS ON AMERICA OF STERLING AT PAR

By S. Stern

Vice-President, Seaboard National Bank of N. Y.

"WILL the general advantages which we will derive as a great creditor and trading nation from the general resumption of gold payments and the return to stable pars of exchange involve on our part certain sacrifices, and along what directions? Will they diminish our gold supply and affect our international commerce? Will the great moral increase in prestige rightly due to Great Britain as a result of the re-adoption of the gold standard, reduce our own importance as a leading financial center of the world?

"Such questions present themselves to us in the United States as we notice the intense interest created by the rise in sterling. There scarcely is any reason for anticipating that gold exports from the United States to the United Kingdom will be substantially increased simply because the pound sterling has reached par. Nor are the fundamental conditions which govern gold shipments from one country to another affected by the mere revocation of the British Gold and Silver Export Control Act of 1920 or its natural expiration. Exports of gold from the United States, or for that matter an inflow of metal from other countries into England, will take place only if the pound sterling should rise in the exchange markets up to a point where it would be advantageous to ship gold instead of remitting sterling to London by means of the regular exchange machinery; in other words, sterling would have to reach and exceed the rate of about 4.88⅝, which computed on present costs, would be the new gold export point (for shipments from the United States). It is to be borne in mind in this respect that in all the discussions which have taken place so far, the London market is not so expectant of excessive receipts as of large withdrawals of gold.

The recent rise in sterling has been characterized by either the resumption on a larger scale or the initiation of gold shipments to India, Egypt, and Australia. This movement is likely to continue until the present somewhat abnormal exchange situation in the British colonies has been adjusted; viz., until the discount on the paper pound sterling as compared with the gold pound again exceeds the margin between the premium commanded by the Australian and other colonial exchanges in the London market and the cost of shipping gold or until these premiums recede to the point where bullion shipments are no longer profitable. In this connection be it remembered that Canadian exchange is at present quoted at about ⅛% discount with no immediate prospect of a rise except in the improbable case of a substantial loan contracted in the United States for purposes other than the payment of pending obligations.

"Other factors possibly creating a substantial export movement from the United States might be: (1) continued flotation of a large volume of foreign loans in the New York market, the proceeds of which would be converted into sterling and transferred to London; (2) a considerable rise in interest rates in Lombard Street either due to natural causes or to a certain extent encouraged and supported by the Bank of England; (3) a rise in prices in the United States (not accompanied by a similar movement in England) which through stimulated imports would depreciate the dollar and would create a greater demand for sterling; or (4) a heavy drop of prices in Great Britain causing similarly an offer of dollars.

"Practically, from present appearances, there need be no particular uneasiness on these grounds. With a total gold stock on January 1st of this year of approximately $4,500,000,000, with substantial invisible gold reserves which in addition, in case of need, can be drawn upon to make up for temporarily abnormal shipments abroad and with British trade figures for 1924 (visible and invisible) just balancing, the United States can look forward to the resumption of specie payments by Great Britain and to the possibility of her competition for the gold production of the world with a certain measure of equanimity.

"It also should be remembered in this connection that if Great Britain, or for that matter, any other country should withdraw gold to an extent which might create a rapid rise in interest rates and a fall in stock exchange values in the United States, we would be in a position to make up, if required, the amount so sent abroad by calling in a corresponding portion of our foreign short-term credits. In other words, if a wise ratio is maintained between our foreign short-term credits and foreign long-term loans, we will command at all times in addition to our own gold reserves, sufficient foreign gold assets to offset any unforeseen drop in the value of the dollar

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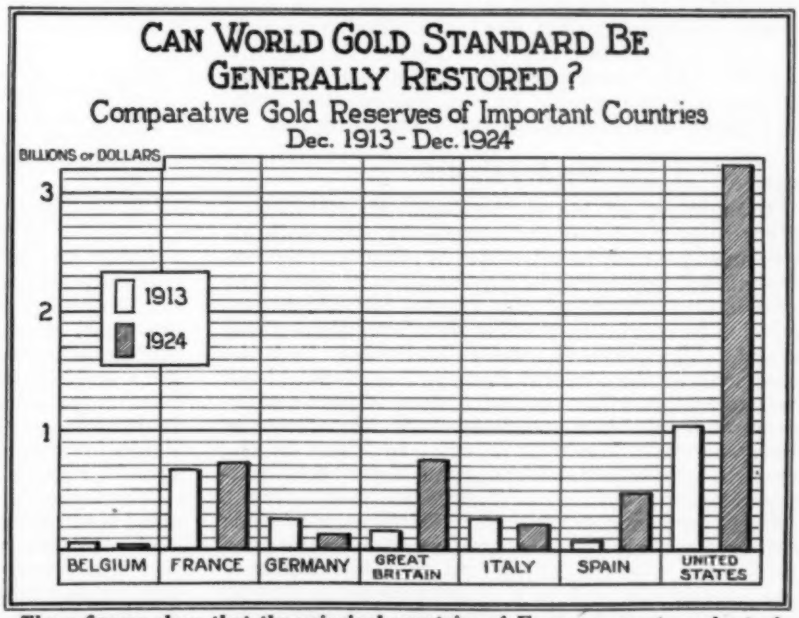


These figures show that the principal countries of Europe are not as short of gold as commonly supposed. Most of them have a substantial base for restoration of gold standard, particularly Great Britain which in the period of 1913-1920 *has increased its gold reserves not less than* 350%.

Secretary Mellon

Did Secretary Mellon And Federal Reserve Aid Stock Market Boom?

Senator Henrik Shipstead

U. S. Senator Shipstead Thinks They Did

By E. D. KING

SEVERAL weeks ago, U. S. Senator Henrik Shipstead of Minnesota got up in the Senate and delivered a speech. Now speeches are not infrequent occurences in Washington. Once in a while a Senatorial speech will achieve front-page space but as a rule they are entombed in the *Congressional Record* and forgotten. Perhaps they deserve to be. In any case, there are reasons why this particular speech should not be hidden under a bushel but brought out under the light of public scrutiny.

Senator Shipstead is well and, we take it, favorably known in Minnesota but he is not exactly *persona grata* in what is known as Wall Street. Senator Shipstead, like some of the more radical Western Senators, has a hearty dislike for Wall Street and upon occasion does not hesitate to say so in a firm manner. His speech represents one of those occasions. In his speech, the Senator from Minnesota opines (1) that the bull market was artificially created, and (2) that neither the Federal Reserve System nor the Secretary of the Treasury did much to prevent it. In fact, the Senator seems to suggest that they aided and abetted the rise.

We Are Quoted

In support of his contentions, Mr. Shipstead gives voice to a lot of statistics and quotes authorities among which he cites Mr. Wyckoff's article on the market appearing in our January 17 issue, also mentioning several of our graphs for which permission to reprint in the *Congressional Record* was asked. Thus, the Senator: "Believing that the chairman of the Federal Reserve Board would not take exception to the statistical data of such a high-grade financial authority as THE MAGAZINE OF WALL STREET, I ask permission to insert in the Record two industrial diagrams from that gilt-edged source-page 465 of THE MAGAZINE OF WALL STREET for January 17, 1925." Further on he said: "How effectively these forces (inflation in the market) have worked during the past ten weeks is graphically told in THE MAGAZINE OF WALL STREET by its editor, Richard D. Wyckoff, under the caption 'Wall Street's Greatest Bull Market: Why the Present Rise Must Be Regarded the Greatest of Them All.' "

In quoting THE MAGAZINE OF WALL STREET, Senator Shipstead desires to show that the bull market has risen to great heights. With this view, we believe there is no quarrel. It is an obvious fact that the market has risen greatly.

It is with the interpretation he gives the market's action, particularly in connection with business data, that we believe exception can be taken. The speech was delivered January 21, 1925, and for the most part the figures cited referred to conditions in October and November preceding. His chief argument seems to be that while the stock market started to record its sensational advance in early November, there was nothing to the *then current* business situation to warrant the move. This is quite correct as figures will show. For example, the Senator gives the following tabulation to support his views:

COMMODITY MOVEMENTS

	October 1924	October 1923	1924 Decrease Per Cent
	In Millions		
Iron-ore shipments at Lake Shore (long tons)	5.59	8.1	44 1.2
Pig iron production (long tons)	2.47	3.1	27
Steel-ingot production (long tons)	3.1	3.5	15
Unfilled orders U. S. Steel Corporation (long tons)	3.5	4.6	32 1.2

Later on the Senator states in relation to pig iron output that in 1924, out of the twelve months, ten showed a smaller production than in the previous year, that for the calendar year production amounted to only 31 million tons against 40 millions in 1923 and 36.9 millions in 1922. Also the Senator goes on to show that commercial liabilities in 1924 in respect to both number and amount of liabilities was greater than in 1923. Other facts are cited along the same bearish line.

Throughout the discussion, the point is emphasized that business conditions during 1924 were inferior to those of the preceding year and especially that conditions during the latter part of the year were not sufficiently favorable to have justified the rise which he says started in November.

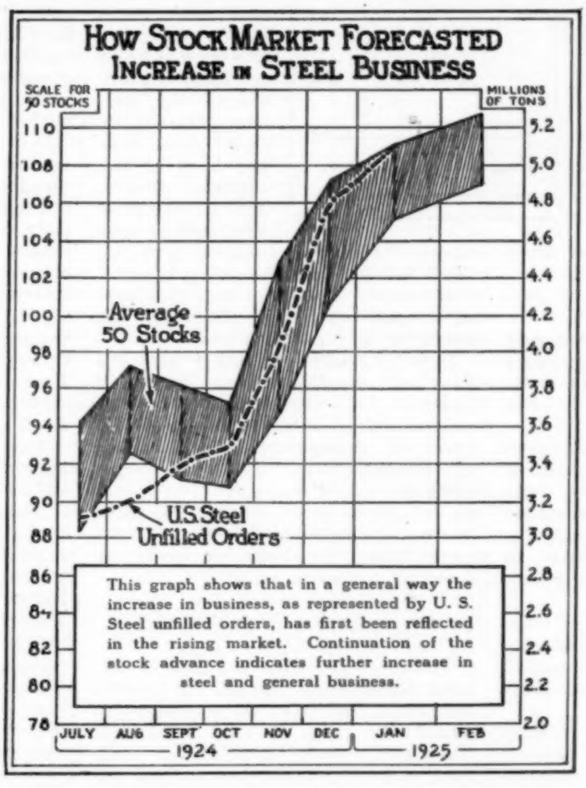
All the facts which he cites are true. It is true that business was generally quiet in 1924. It is true that conditions even in the latter part of the

year were none too good, that is if we compare them with conditions existing at the same time in the previous year. Yet, if the Senator believes that this proves the rise in the market was entirely unjustified, he is wrong.

The point the Senator seems to miss, and it is a vital one, is that the stock market is a barometer. It looks ahead. It tries to picture conditions which have not yet occurred. It is, indeed, a mirror of the future. It may not mirror conditions precisely. It may not even be an infallible barometer but in the general way it discounts the future. Sometimes it over-discounts the future but that is a different matter.

The Senator to quote his own words says: "The average layman reading newspaper headlines and the story of the stock boom might naturally conclude that the country was indeed enjoying an era of unusual industrial prosperity. But when we come to read the data beneath the scareheads and compare 1924 with 1923 and previous years, we find only a gilded mirage."

Thus the Senator believes the boom unjustified because 1924 conditions were not favorable. The point we should have considered is not what happened in 1924 but *what the market thought would happen in* 1925. The market, as stated, looks ahead. It does not look behind. It is not concerned with what *has* happened only with what will or *may* happen. In order for Senator Shipstead to have proved his case, he would have had to cite conditions in 1925 and for obvious reasons these are not available. After a few months or so, such information may be available and the Senator will have a better idea as to whether or not he is right in stating that the bull market was artificially stimulated.



This graph shows that in a general way the increase in business, as represented by U. S. Steel unfilled orders, has first been reflected in the rising market. Continuation of the stock advance indicates further increase in steel and general business.

Senator Shipstead is not alone in making this mistake. It is a very frequent one. It seems difficult for many people to understand that a market movement of substantial proportions is rarely based on conditions as they exist at the time of the move. It is much more generally based on anticipation of the future. People buy or sell stocks in response to their opinion of their future value. Each transaction as recorded represents a purchase and a sale. One investor buys because he thinks the stock will be worth more in the future. Another sells the same stock at the same instant because he thinks it will be worth less later. The market acts in the same way. The market goes up because there are more buyers than sellers. The market goes down because there are more sellers than buyers.

Thousands, perhaps millions of people are involved in these transactions. The majority opinion of these people as to the future of business is reflected in these dealings. Consequently, if the market advances broadly it means that most people believe business will improve. The reverse is equally true.

The present bull market, therefore, which for purposes of convenience we will say started last November after the election of President Coolidge, was the result of the combined opinion of the majority of investors that business would improve. They were not concerned with conditions in October or November. Their only question was what would be the trend of business during the present year. If favorable, they were willing to buy. If not, they would not buy and perhaps sell. Well, they bought and bought very heavily. Consequently, their idea was that business would improve.

How justified they were in their views may be seen from the fact that since October, business has steadily increased. Take for example, U. S. Steel unfilled orders, which increased from 3.5 million tons in October to 5.1 millions in January. Or pig iron output which increased from 2.4 millions in October to 3.3 millions in January. It is true there has been no boom but the improvement has been of substantial proportions. It is still continuing and will probably continue for a considerable period.

From the above, it will appear that the conclusions on the market reached by the public and those held by Senator Shipstead are diametrically opposed. The public at present has undoubtedly the better of the argument.

Of course, stock prices generally outrace the conditions they forecast. This is what is known as over-discounting the market. If the Senator had said that the market was too far ahead of business and that prices were too high, a good many people would have been found to agree with him. But when he says that the move was unwarranted and that it was of artificial character, the inference is that business conditions are still depressed though the market continues to go forward. Most of us know that this is not correct. The market has gone forward and so has business. To some extent at least, therefore, the move was justified. It is clear that on this point the Senator has not based his views

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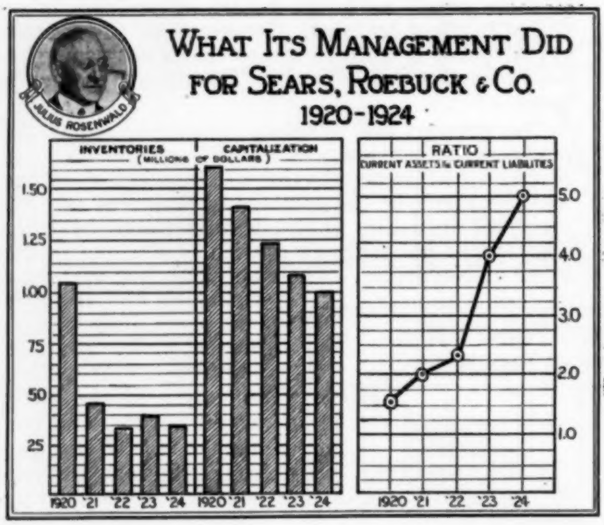
Are Your Funds Entrusted



Feats of Executive Impressed Students

By the Staff

Editor's Note: Investors are more and more widely recognizing the importance of MANAGEMENT in corporate affairs.

They are realizing that the company which boasts a Class 1 management does not need to be "lucky" in order to succeed; it is "lucky" already—and almost sure to succeed.

They are beginning to understand that such a company is not dependent upon the shifts and changes in trade activity for its success; with a strong MANAGEMENT, it will be ready for those changes—will adapt itself to them, or bend them to its own constructive purposes.

Concrete illustrations along these lines are offered in the accompanying reviews. The reviews were submitted, as their own selections, by members of our Staff.

Each illustration serves to demonstrate what MANAGEMENT can do, either toward making a great corporation greater, or else toward guiding a corporation's destinies out of, or away from, some prospective slough and establishing it on the high road to success.

It may be noted that these illustrations are only a few of the many that could be cited. It should be further noted that, although one personality may appear to have dominated each of the conspicuous successes achieved, nevertheless the success attained in each case was the fruit of the combined action and labors of close-knit groups, composed of several individuals. Thus, while but one individual may be mentioned here, the praise extended him is, in equal measure no doubt, due his associates and collaborators.

Security-holders in other corporations not mentioned here may well compare the managements their companies enjoy with those described. After all, managements are a species of caretakers—custodians of great business establishments. Their responsibility is great and it is for them to demonstrate their worthiness of the trust which the investing public is asked to repose in them.

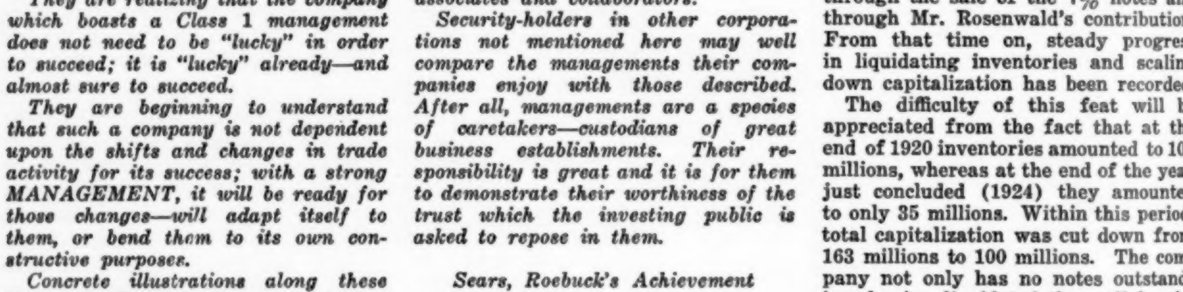
Sears, Roebuck's Achievement

There are so many examples of efficient management among our leading companies that it would be difficult to award the palm to any single one. Each management has its own problems, and comparisons are perhaps futile. Nevertheless, when enormously complicated problems beset a management, its ability to solve them satisfactorily may be accepted as a sign of unusual efficiency. And this is the test the Sears, Roebuck management faced—and met.

Indeed, Sears, Roebuck serves as one of the most interesting examples that could be cited of the value of skillful management. Readers may recall that as recently as 1921, the company would have faced something like bankruptcy had it not been for the fact that Julius Rosenwald came to the rescue with a gift of $5,000,000 in the company's stock.

The company previously had sold 50 million dollars of 7% serial notes, an action forced by the fact that it was unable to move its tremendously inflated inventory account as it stood at the end of 1920. There was practically no market for the goods at the time. It was consequently essential to obtain a large line of credit in order to carry the company over its difficulties. The credit was secured both through the sale of the 7% notes and through Mr. Rosenwald's contribution. From that time on, steady progress in liquidating inventories and scaling down capitalization has been recorded.

The difficulty of this feat will be appreciated from the fact that at the end of 1920 inventories amounted to 105 millions, whereas at the end of the year just concluded (1924) they amounted to only 35 millions. Within this period, total capitalization was cut down from 163 millions to 100 millions. The company not only has no notes outstanding, having liquidated them all by the end of 1922, but it has retired its preferred stock which amounted to 8 millions. The company today has only one class of stock, no bonds (except a real estate mortgage more than covered by equity) or preferred stocks. What this has meant to common shareholders may be appreciated from the fact that the common stock which sold at 54 in 1921 is now quoted at 160. Dividends have been restored at the rate of $6 annually and the company is in a position to increase this rate.

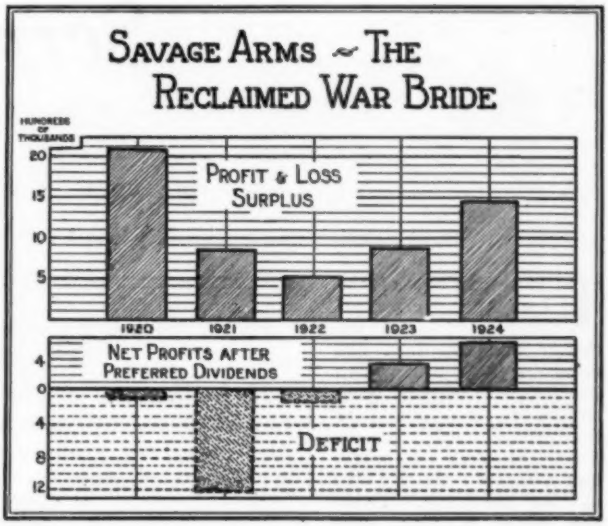


MACK TRUCK UNDER BROUSSEAU MANAGEMENT

to Managements Like These?

Genius that Have of Corporate Affairs

of the Magazine



The secret of the company's success has been the remarkable strides taken in turning over inventory rapidly as attested by the fact that turnover was 3.8 times in 1921, 5.2 times in 1922, 5.3 times in 1923 and 6.2 times in 1924. At the same time, ratio of current assets to liabilities increased from 2.0 in 1921 to 5.0 times in 1924. The 12% decrease in volume of gross which took place in the period 1921-1924 was accompanied by an increase in net from a deficit of 16 millions in 1921 to a surplus of 14 millions in 1924. This reflects the result of great operating economy as well as increased turnover of inventory and reduction of capital indebtedness.

Altogether, the showing of Sears, Roebuck in the past few years has been phenomenal. As represented by the figures shown above, its management must be considered one of the best.—E. D. K.

Why Mack Truck Has Forged Ahead

The growth in the business of Mack Truck Inc. in the past few years has been one of the outstanding achievements in corporate management in this country.

Although operating in a highly competitive industry, Mack has far outstripped rivals in the heavy truck field, in which it now stands preeminent. With the exception of Ford, the motor industry offers no other example of a company that has so completely dominated its field.

Mack Truck started on even terms with many other strong companies and its greater degree of success must be contributed almost entirely to skillful management. One of the policies of the company that undoubtedly had a great deal to do with establishing its present prestige is efficient service to customers. Service stations have been established throughout the country and the purchaser of a Mack truck is given expert instructions as to how the best operating results can be obtained. Minimum charges are made for repairs and new parts with the idea that *a satisfied customer is more desirable than profits from the service department.* By such methods the good will of the customer has been built up.

No efforts have been spared by the management in maintaining products at a high standard. A corps of automotive engineers are continually employed in experimental work and the results of their findings, after being tested, are incorporated in the Mack truck.

After two years of development work the company last year brought out a new line of rail cars and passenger carrying busses, which field promises to develop very rapidly. In 1924 there were no profits from this source due to development expenses, but in 1925 earnings should be substantial and in time may become as large as from the truck manufacturing end of the business. Mack management was among the first to see the great opportunity in this field and as a result has already obtained a leading position.

The following figures show the progress that has been made in the past six years:

In 1919 *sales were* 22.1 *million dollars, whereas in* 1923 *they reached* 43.8 *millions.*

Net income in 1919 *was* 1.9 *million which compares with over* 7 *millions in* 1923.

As of December 31, 1919, *working capital stood at* 12.6 *millions and*

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Electricity—Our Most Useful Servant

Remarkable Growth of an Industry Less than Half a Century Old — The New Giant, Radio — Pertinent Suggestions on Investing in Electrical Securities

By BARNARD POWERS

THE beginnings of the Iron Age lie obscured in the mists of antiquity and few men can remember the stir which the discovery of steel occasioned, or the coming of the "Iron Horse." But the Electrical Age is scarce half a century old and still on the threshold. Today the world moves, ever faster and faster, on that mysterious force which none may analyze but which all may control, and which we term electricity. Our cosmic universe vibrates on a billion electrical currents and each year sees new uses and the extension of old.

Each generation accepts as a matter of course that which it finds. As we were not especially thrilled over the steam engine or the telegraph, it would be too much to expect the coming generation to regard the moving picture or the radio as anything unusual. Nor is the average individual apt to stop and reflect upon the importance of electricity in everyday, modern life. Yet if all sources of electricity were suddenly dried up, the machinery of civilization would stop with an abruptness almost equal to that which would occur should this world collide with a wandering planet.

It is of interest to note that electricity underlies almost every modern invention which has tended to speed the physical and mental activities of peoples. Among such inventions might be mentioned the electric dynamo, telegraph and telephone, elevator, incandescent lamp, moving picture, automobile, aeroplane and the radio. The phonograph alone belongs outside the foregoing category.

The electrical industry exists in many divisions but perhaps the largest and the most important is the power plant or central station division as it is known in the electrical trade. At the present time the investment in the electric light and power industry is approximately $6,000,000,000. This is approximately one-third of the entire national debt and nearly 40% of the entire value of the railroad investment of the country. According to M. H. Aylesworth, managing director of the National Electric Light Association, it will be necessary for an equal amount to be raised and for the industry as a whole to accomplish during the next five years as much as it has accomplished in a little more than forty years.

PROSPECTIVE PROFITS IN ELECTRIC SECURITIES

If the electrical age, far from having reached its zenith has scarcely more than begun, as all authorities are agreed, it appears that the future will offer great opportunities for the investor in electrical securities. He will have the choice of investing in long established concerns and new companies. The latter will, of course, be more speculative, but will offer greater opportunities for profit, especially the securities of radio companies. To pick the wheat from the chaff, however, requires long experience and expert discrimination. The investor who is without special sources of information or facilities for investigation will do best to stick to the old-line successful concerns. It is an adage of investment that the greater the possibilities of profit, the greater the attendant risks.

Last year approximately $1,200,000,000 was raised by the electric light and power companies of this country. Of that amount only about $200,000,000 was for refunding purposes, leaving the staggering total of one billion dollars for new constructions and extension. This was $300,000,000 more than was raised in 1923 for the same purposes. The total output of the electric light and power companies last year was 54,000,000,000 kilowatt hours, in round figures. Gross revenue was $1,350,000,000. Both this figure and that of money raised, established new high records notwithstanding that the year 1924 was one of business depression. Customers of the various electric light and power companies total 16,377,000 of which 13,253,000 are domestic consumers, 2,524,000 are commercial consumers and approximately 600,000 are industrial power users.

This article, however, is not a statistical study of the industry. It seeks to point out the rapid growth and the universality of the uses of electricity. With this idea in view it may be of interest to show how important a part electricity plays in the life of the average individual in some large center of population, say New York City.

When Mr. Citizen awakes in the morning he lights his electric light, if it happens to be in the dead of winter to observe the time. He puts a newly pressed suit fresh from his tailor's electric pressing iron and after his ablutions retrieves his morning paper, printed by electrically driven presses, from the doormat and sits down to his breakfast table where the electric toaster and coffee percolator are in full blast. If it happens to be Monday the maid has put the electric washing machine into operation or, if cleaning day, the electrically driven vacuum machine will be on the tapis. Mr. Citizen's automobile, animated by an electric spark, carries him to the nearest Subway or Elevated station and the huge dynamos of the transit companies whirl him downtown. At his office the indispensable telephone annihilates time and space while an electric heater provides extra warmth in winter and an electric fan extra coolness in summer. Right by his desk is the telegraph call-box which will summon a messenger who will take his telegram to the despatching office where it will be sent to any part of the earth where human speech is spoken.

At noon he descends in an electrically driven elevator and goes to a restaurant whose food is whirled up from the kitchen in electric dumbwaiters and kept warm on electric grills. More likely than not it was electrically cooked. Perhaps after lunch he drops into his broker's office to watch the electrically operated

(Please turn to page 778)

Some Novel Uses of Electricity

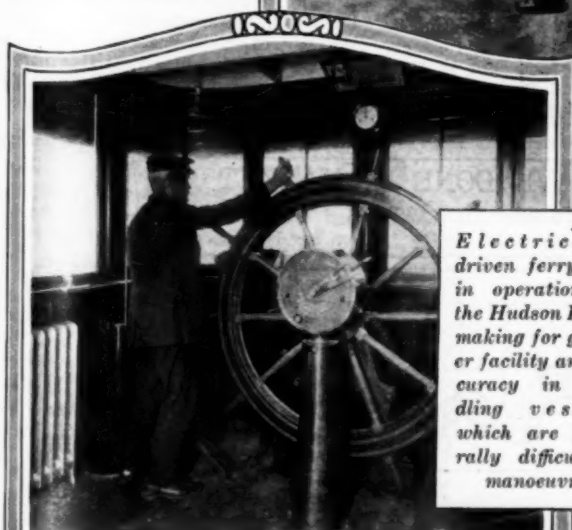
A magical view of the Capitol with its beauties enhanced by electrical lighting features. Electric light has great aesthetic as well as utilitarian values.

Photographs Courtesy Westinghouse Lamp Co.

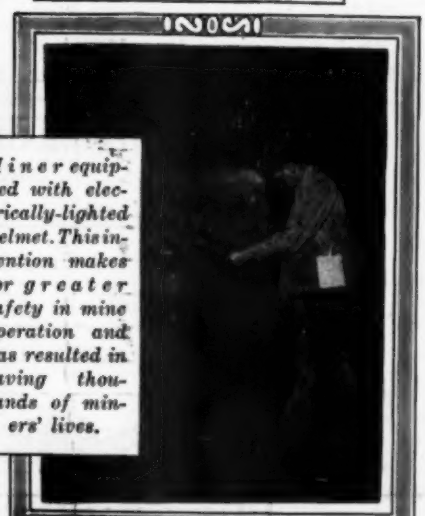
Radio broadcasting station formerly at Rio de Janeiro, bought by New York City for its own use. This equipment is used by W N Y C.

Special electric light contrivance allowing divers to see objects at great depths. Electric light affair in front of diver.

Growing plants under electric light. This is turned on a few hours at night. Maturity of plants greatly quickened by this process.



Electrically driven ferry-boat in operation on the Hudson River, making for greater facility and accuracy in handling vessels which are generally difficult to manoeuvre.



Miner equipped with electrically-lighted helmet. This invention makes for greater safety in mine operation and has resulted in saving thousands of miners' lives.

What Private Railroad Management Has Accomplished

Remarkable Showing of Carriers Since End of Government Control

By LEWIS H. HANEY

Director, New York University Bureau of Business Research

THE railways are coming back. Railway stocks are now quoted considerably higher on the average than at the 1919 peak. Moreover, they are still so much below the levels reached in 1906 and again in 1909 that the possibility of further gains is apparent. The fact is that throughout the twelve years from 1909 to 1921, while industrial stocks maintained a relatively steady general trend, railway stocks suffered a long-continued decline and reached abnormally low levels. This long-continued period of depression in the railway business was made worse by the war and by Federal control. Since 1921, and following the return of the carriers to private operation, there has come a recovery in railway securities which has been even more striking then that in industrial stocks.

A Real Improvement?

Is this upturn in railway securities based on fundamental strength? Will it continue throughout the next few years? Careful analysis of basic statistical data covering "Class I" railways during this recovery, gives a favorable answer to both questions.

The recovery is based upon a marked improvement in operating efficiency and upon the fact that the public has shown greater willingness to give the railways a fair chance to demonstrate what they can do. One must go back a great many years to find the equipment of the carriers as adequate, their operating efficiency so great, and the political conditions so favorable, as is the case today.

To begin with, the carriers have begun to cut down the ratio of their operating expenses to their gross revenue. Back in 1916 the "operating ratio" was 65.5%. In 1920, however, when *industrial* earnings were near the post-war peak, the operating expenses of the railways were actually 94.3% of their gross revenues. It was under such circumstances that the railways were returned to private operation. Last year the operating ratio was approximately 76%, which represents a steady reduction throughout the four years.

In spite of a lower average revenue for each ton of freight hauled one mile, the carriers recently have been able to reduce their expenses sufficiently to allow greater net earnings. One of the outstanding facts of the situation is that of late railway managements have demonstrated their ability to control expenditures, which is a real indication of efficiency.

Labor Costs Reduced

Take the labor item, for example. Between 1916 and 1920 the number of railway employees jumped from 1.6 millions up to 2.1 millions, and the total labor bill increased from 1.5 billion dollars to 3.7 billion dollars. But in 1921 there came a rightabout face and in 1924 the number of employees had been reduced to approximately 1.8 millions and the labor bill to approximately 2.8 billion dollars. The improvement in the situation is clearly brought out by the fact that in 1920 over 55% of each dollar of railway revenue was expended for labor, while in 1924 only about 45% was so expended.

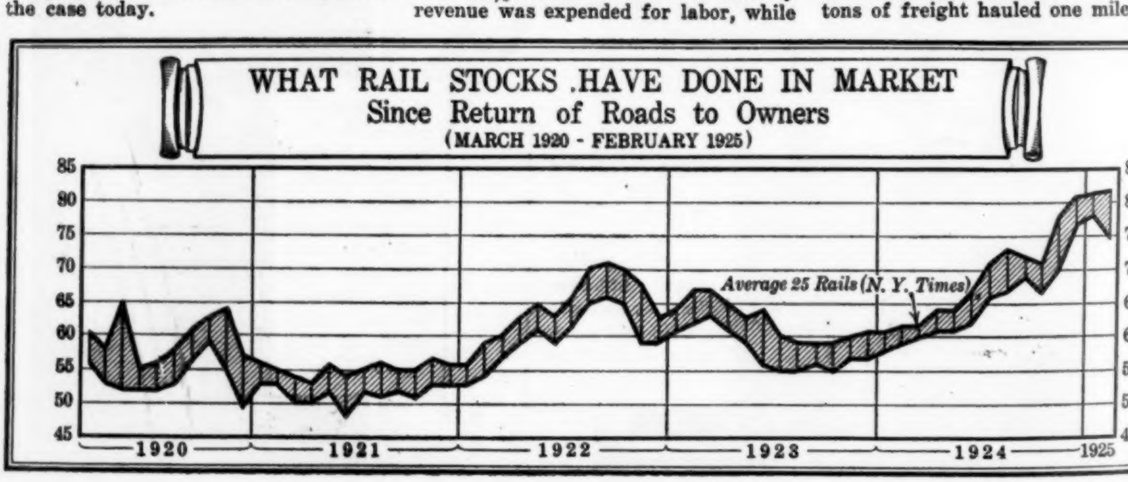
More than this, the labor cost of moving a ton of freight has been considerably decreased as a result of greater efficiency in management. Back in 1920 it cost over 44c in wages of engine men and train men to move 1,000 tons of freight one mile. In 1924, the cost was less than 34c. These are *Interstate Commerce Commission* figures.

At the same time, the relation between the railway managements and their employees is better than it has been in any period since the days before Federal control. Of course there is danger of new labor demands as earnings increase, but, since the radical element in Congress is reduced and a sounder public realization of the relation between railway wages and railway freight rates exists, the danger is by no means as serious as it was a few years ago.

Fuel Expenses Cut

Other important items of expense have in recent years shown steady reductions. In 1920, it cost 43c for fuel to move 1,000 tons one mile and the carriers' locomotive fuel bill took nearly 11c out of every dollar of gross revenue. In 1924 it cost less than 28c to move the 1,000 tons and the fuel bill was probably less than 9%.

The struggle of the carriers to reduce their expenses for locomotive repairs will be remembered. Government statistics show that this item in 1920 amounted to 35c for every 1,000 tons of freight hauled one mile, which



is too high. How well the carriers have succeeded is shown by the fact that in 1924 locomotive repairs amounted to less than 27c per 1,000 tons.

In quoting the foregoing figures and others which will be given, it should be remembered that careful consideration has been given to the trend of the figures from year to year and the conclusions are not based on exceptional cases. They represent the general trend.

Taxes Larger Than Dividends

The one fly in the ointment of improved railway expense control is the tax item. *In four of the last five years the taxes paid by the railways of the United States have actually exceeded their dividends.* That is, they have paid more to the Government than they have paid to their stockholders. Taxes paid have increased pretty steadily from $127,000,000 in 1913 to over $344,000,000 in 1924 and of course a larger percentage of the railway dollar goes for this item. The growing demands of states and localities are chiefly responsible for this situation which has become the greatest obstacle in the way of paying satisfactory dividends to stockholders.

Not only have the railways reduced their operating expenses but they have also shown marked gains in the efficiency of their performance. In other words, the reductions in expense do not represent mere temporary financial adjustments, but are based on permanent gains in effective physical operation. One of the outstanding illustrations of this fact is the improvement made in the condition of equipment since 1920. In the year when the carriers were returned to private operation over 24% of their locomotives were in an unserviceable condition. By 1924 the number of unserviceable locomotives had been reduced to about 18.8% of the total. In 1921 the average percentage of unserviceable freight cars had actually reached the high level of 13.2%, but in 1924 only about 7.8% of freight cars were in bad condition.

While considering the condition of equipment one should note that large increases in new equipment have been made of late years which have not only served to prevent shortages but have helped to reduce operating expenses by substituting improved types. Back in 1916 the carriers added 126,000 new freight cars. In 1920 the number had fallen to a low point of only 56,000. In 1923, 223,000 new cars were installed and in 1924 about 149,000. Much the same story might be told of locomotives.

Thus the investment of the railways has been increased, their ability to render satisfactory service has grown, and they are able to operate more efficiently. The new cars are larger and

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The Railroad Dollar

Source: Bureau of Railway Economics from Reports to the I. C. C.
(Distribution expressed in cents per dollar of gross revenue)

	1920	1921	1922	1923	1924
Total Operating Revenues	100.0	100.0	100.0	100.0	100.0
Labor (Salaries and Wages)*	55.4	46.9	44.4	44.3	45.1
Fuel (Locomotive)	10.9	9.5	9.3	8.4	
Material, supplies and miscellaneous	22.1	20.6	20.7	20.1	
Loss and damage; injuries to persons; and insurance	3.6	2.9	2.0	1.8	32.1
Depreciation and Retirements	2.3	2.8	3.0	3.2	
Taxes	4.4	5.0	5.4	5.3	5.8
Hire of equipment and joint facility net rentals	1.0	1.4	1.5	1.6	1.6
Total expenses and taxes	99.7	89.1	86.3	84.7	84.6
Net Railway Operating Income	0.3	10.9	13.7	15.3	15.4

* Noes not include payroll chargeable to Capital account.

Railroad Capital Outstanding—1914-1923

Source: I. C. C. Annual Report, 1924.

Year	Total Railway Capital	Funded Debt	Stock	Ratio of Debt to Capital
1914	$19,401,083,881	$10,746,868,639	$8,654,215,242	55.4
1915	19,719,893,944	11,084,574,576	8,635,319,368	56.2
*1916	19,630,610,082	10,875,206,565	8,755,403,517	55.4
1917	19,764,941,991	10,761,145,441	9,033,796,550	54.5
1918	19,453,272,003	10,606,556,489	8,846,716,514	54.5
1919	19,539,283,350	10,656,158,685	8,883,124,665	54.5
1920	20,098,046,374	11,254,946,156	8,843,100,218	56.0
1921	20,247,686,960	11,357,766,232	8,889,920,728	56.1
1922	20,463,595,243	11,501,948,520	8,961,636,723	56.2
1923	21,100,767,824	11,998,311,095	9,102,456,729	56.9

* 1916 and subsequent figures are for calendar years.
Note: These figures do not include switching and terminal companies.

Rate of Return on Property Investment

Class I Roads and Large Switching and Terminal Companies
Source: Compiled by Bureau of Railway Economics from Reports to the I. C. C.

Region	Year 1922	Year 1923	Year 1924
New England Region	2.89%	2.30%	3.74%
Great Lakes Region	3.23	5.36	4.84
Central Eastern Region	3.69	4.81	4.26
Pocahontas Region	5.00	5.73	6.03
Total Eastern District	3.56	4.85	4.58
Southern District	4.34	4.95	5.20
Northwestern Region	2.83	3.42	3.12
Central Western Region	4.10	4.49	4.21
Southwestern Region	3.14	3.67	4.34
Total Western District	3.45	3.94	3.87
United States	3.61	4.47	4.35

Note: "Rate of return (annual basis)" is computed on the investment of the carriers as shown by their books, including material and supplies and cash, as of the beginning of the year.

New Equipment Installed on Class I Railroads

Source: I. C. C. Reports; 1924 Figures from American Railway Association.

	1920	1921	1922	1923	1924
Locomotives	1,017	1,330	1,220	4,100	*1,951
Passenger train cars	621	1,681	1,328	2,534	†2,065
Freight train cars	36,044	63,406	105,391	223,724	*148,831
Company service cars	6,608	4,281	7,437	16,571	(not available)

* Eleven monthts.
† Nine months.

On order, December 1, 1924: Locomotives 265
Freight Cars 45,095

Revenue Freight Car Loadings by Months—All Commodities, 1920-1924

Source: American Railway Association.

		1920	1921	1922	1923	1924
January	Total 4 weeks	2,279,004	2,823,759	2,785,119	3,373,965	3,362,136
February	" 4 "	3,104,710	2,739,234	3,027,886	3,361,599	3,617,432
March	" 5 "	4,239,708	3,452,941	4,086,132	4,581,176	4,007,706
April	" 4 "	2,921,986	2,822,713	2,863,416	3,764,266	3,490,210
May	" 4 "	3,446,572	3,039,234	3,102,124	3,944,209	3,654,847
June	" 5 "	4,479,743	3,808,040	4,153,590	4,980,287	4,445,376
July	" 4 "	3,603,826	2,998,885	3,252,107	3,940,735	3,526,500
August	" 4 "	3,876,410	3,238,477	3,411,521	4,117,069	3,823,065
September	" 5 "	4,836,606	4,211,864	4,623,203	5,239,933	5,166,742
October	" 4 "	4,020,265	3,726,405	3,913,046	4,312,650	4,380,149
November	" 4 "	3,536,040	3,057,181	3,826,243	4,054,419	4,093,760
December	" 5 "	3,773,602	3,404,425	4,159,174	*4,141,280	
Grand Total		45,118,472	39,323,158	43,207,561	*49,811,588	†45,055,554

* Subject to slight revision. † Total for 48 weeks.

Taxes and Dividends Paid

Source: Bureau of Railway Economics

Cash Dividends Paid		Taxes Paid
$332,300,406	1913	$127,725,809
376,089,785	1914	141,942,711
259,809,520	1915	139,313,602
306,176,937	1916	162,474,735
322,395,779	1917	215,146,471
275,336,547	1918	223,595,268
278,516,908	1919	232,363,445
271,731,669	1920	282,750,533
298,511,828	1921	275,138,134
271,576,000	1922	301,008,227
297,513,229	1923	336,381,765
303,000,000 (Est.)	1924	344,073,780

Employees and Their Compensation

Source: Bureau of Railway Economics.

	Number of Employees	Total Compensation
1916	1,647,000	$1,468,576,000
1917	1,733,000	1,739,482,000
1918	1,842,000	2,613,813,000
1919	1,913,000	2,843,128,000
1920	2,054,160	3,733,816,186
1921	1,661,301	2,800,896,614
1922	1,645,244	2,669,180,772
1923	1,879,770	3,043,161,163
1924 (Estimated)	1,775,000	2,840,000,000

Bonds

Applying the Theory of Switching to Bonds

An Outline of Principles Illustrated by Four Practical Examples

BONDHOLDERS are familiar with the broadest application of the switching principle to the bond market, namely, that of exchanging high-grade issues for good second-grade or semi-speculative bonds for the purpose of obtaining a larger average income return. This maneuver, of course, should be executed in times like the present when gilt-edge securities are selling at, or close, to probable peak levels and yields are relatively low.

It is problematical however whether investors in bonds, as a class, appreciate the possibilities of judicious switching as fully as the holders of stocks. A switch in stocks involves nothing more than the sale of an issue already held and the purchase of one which offers greater security, higher yield, better prospects for price appreciation or, perhaps, more ready marketability. Conceivably, such an exchange may embody more than one of these advantages.

Switches in bonds are oftentimes desirable for identical reasons and can be put into effect quite as readily. The problem of the bondholder, moreover, is greatly simplified by virtue of the fact that, in all ordinary cases, speculation need not be taken into account as a factor. Bonds usually move with dignity and decorum. Changes in market value are based on sound fundamental influences, devoid of the speculative, and easily ascertained. Bond owners, being primarily investors, are extremely conservative and slow to act upon changes of favorable or unfavorable import.

The result is that the bond market is no less honey-combed with discrepancies in price and yield than the stock market. The wide-awake investor will find that his position may be improved, from time to time, by taking advantage of these divergencies. This is true whether the average level of prices is high or low.

The following brief discussion will serve to explain some of the most direct applications of this theory of switches as outlined in the accompanying table.

The holder of U. S. Steel Corporation 5s of 1963 might well consider the advisability of exchanging this bond for one that has not so completely discounted its position. This high-grade issue, selling around 106, yields but 4.6% to maturity, an obviously low return. Illinois Bell Telephone 5s of 1956 at 98 yield 5.1%. A switch to the latter will not only afford the former holder of the Steel Corporation bonds a more liberal return but will, in addition, result in a saving of $80 per thousand dollar bond without detracting from the quality of his holdings. From the standpoint of security, there is little to choose between these two obligations. The Steel bonds are protected by a lien on the properties, bonds and stocks of this leading exponent of the steel industry, subject to the prior claim of the company's 203.6 millions of 5% bonds of 1951. The Telephone bonds, on the other hand, constitute a first mortgage on the properties of one of the most im-

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Four Interesting Bond Switches

	Int. Rate %	Maturity	Redeemable at	Recent Price	Yield % to Maturity	Interest Times Earned 1921	1922	1923
Switch from:								
U. S. Steel Corp.. 60-Year	5	1963	110	106	4.65	2.81	3.01	6.78
To:								
Illinois Bell Tel... 1st & Ref. Mtge.	5	1956	105	98	5.10	3.75	4.06	3.27
Switch from:								
Baltimore & Ohio. 1st Mtge.	5	1948	*	101	4.90	1.07	1.19	1.96
To:								
Laclede Gas Light 1st Mtge. Coll. & Ref.	5½	1953	105	98	5.65	0.90	1.63	2.11
Switch from:								
Goodyear T. & R. 1st Mtge.	8	1941	120	120	6.05	2.32	1.63	2.14
To:								
Fisk Rubber ..... 1st Mtge.	8	1941	117½	110	6.95	2.75	3.17	3.44
Switch from:								
United Rys. Invest. 1st Ln. Coll. Tr.	5	1926	105	100	5.0	1.77	1.72	3.56
To:								
†Midvale St. & Ord. 20-Year Conv.	5	1936	105	90	6.25	‡2.09	‡1.53	‡2.17

* Redeemable after April 1, 1945, at premium of ¼% for each three months from date of redemption to maturity date.

‡ Earnings of Bethlehem Steel Corporation.

† Guaranteed principal and interest by Bethlehem Steel.

BONDS

Not Affected by Decline in Stocks

THE very sharp decline in the stock market produced very little effect on bond prices. While here and there were sympathetic declines in convertible issues, whose levels were due to a great extent on prices of stocks into which they were convertible, bond prices were generally steady. As a matter of fact, by reference to the table of quotations, it will be seen that in many instances in the middle grade division very substantial advances were recorded. The Armour & Company issues were very strong, in reflection of the excellent earning statement for 1924 issued by the company, and its securities, which had been behind the general market promptly responded to the publication of the company's actual situation. Another strong spot was in the case of the Baltimore & Ohio 4s and refunding 5s, which advanced into new high ground. There was also a substantial advance in the B. F. Goodrich Company first mortgage 6½s.

Among the utilities, the Ohio Public Service 7s advanced to around 110, up 2½ points, Manitoba Power Company first 7s jumped over two points. As a matter of fact, all utilities presented a very firm front, scoring better gains than for some months.

Prices of the St. Louis & San Francisco and Missouri, Kansas & Texas junior bonds softened, which was natural in view of the spectacular gains recently witnessed in this section of the list. On the other hand, the announcement of the New York, New Haven & Hartford that it had arranged for funding of the European loan due this year, without even the usual banking assistance, was followed by strength in New Haven securities. Other points of strength were in the Erie, Chicago Great Western, Western Maryland and other mortgages given a speculative rating.

Readers will note we have eliminated the Philadelphia Company 6s from the Bond Buyers' Guide. This was done, not because we do not think well of the bonds, but, as they are now selling at around the redemption price of 105, very little more can be expected of them marketwise, and holders could well transfer their funds to some of the other utility issues carried in the Guide.

Money rates have shown a somewhat firmer tendency, but they are still low enough not to cause any apprehension to bond buyers, although, as we have persistently suggested in this column, gilt edge securities are now at a level where we do not consider them attractive, in view of the low yield and opportunities yet available in bonds which have not yet reached such high standards, but which are well fortified by assets and earning power of the issuing companies. While the rise in this section of the list has narrowed the field, there are yet good opportunities for the investor who makes careful selection in making his purchases.

BOND BUYERS' GUIDE

(Bonds listed in order of preference)

	Apx. Price	Apx. Yield	¶Int. earned on entire funded debt
HIGH GRADE			
(For Income Only)			
Non-Callable Bonds:			
Great Northern Genl. 7s, 1936.....(c)....	110	5.80	2.85
Atlantic & Danville 1st 4s, 1948.....(a)....	78	5.70	....
Western Union Telegraph Co. 6½s, 1936.....(a)....	110½	5.25	e 1.75
New York Edison Co. 6½s, 1941.....(b)....	114½	5.15	3.30
Chicago & Northwestern 7s, 1930.....(b)....	107½	5.25	1.80
Delaware & Hudson 7s, 1930.....(b)....	109	5.15	2.10
New York Dock Co. 4s, 1951.....(a)....	80	5.45	2.70
Callable Bonds:			
Armour & Co. Real Estate 4½s, 1939.....(a)....	88¼	5.70	....
Laclede Gas Light Coll. & Rfd. 5½s, 1953.....(c)....	97½	5.70	1.41
Canadian General Electric deb. 6s, 1942.....(a)....	107	5.35	g 2.80
MIDDLE GRADE			
(For Income and Profit)			
Railroads:			
Cuba R. R. 1st 5s, 1952.....(a)....	85¼	6.15	2.45
St. L. & S. F. Prior Lien 4s, 1950.....(c)....	72¾	6.15	1.25
Western Pacific 1st 5s, 1946.....(c)....	93	5.60	2.40
New York, Ontario & Western 4s, 1992.....(a)....	68	5.90	2.00
Missouri Pacific 1st & Rfd. 6s, 1949.....(b)....	101¼	5.80	1.20
Baltimore & Ohio Convertible 4½s, 1933.....(b)....	92	5.70	1.35
Baltimore & Ohio Rfd. 5s, 1995.....(b)....	90	5.60	1.35
Missouri, Kansas & Texas Prior Lien 5s, 1962.....(c)....	91½	5.60	1.10
Boston & New York Air Line 4s, 1955.....(a)....	69½	6.25	....
Kansas City Southern Rfd. and Imp. 5s, 1950.....(a)....	90	5.85	1.90
Minneapolis, St. Paul & Sault Ste. Marie 6½s, 1931..(a)....	104½	5.65	1.50
Rutland R. R. 1st 4½s, 1941.....(a)....	85½	5.90	1.75
Industrials:			
South Porto Rico 1st Mtg. and Co. 7s, 1941.....(b)....	102	6.75	2.20
Sinclair Pipe Line 5s, 1942.....(b)....	85½	6.35	g 2.50
Goodrich, B. F., Co. 1st 6½s, 1947.....(b)....	103¾	6.20	e 2.40
California Petroleum Corp. 6½s, 1933.....(c)....	103	6.00	4.80
International Paper Co. 5s, 1947.....(a)....	90	5.80	3.50
U. S. Rubber 5s, 1947.....(c)....	87	6.05	2.05
Bethlehem Steel Co. 5s, 1936.....(a)....	92	6.00	‡ 2.30
Armour & Co. of Del. 1st 5½s, 1943.....(c)....	93¾	6.05	....
Anaconda Copper Mining Co. 1st 6s, 1953.....(b)....	101	5.90	g 1.25
Union Bag & Paper Co. 6s, 1942.....(b)....	95¾	6.40	i 4.40
Public Utilities:			
Manhattan Railway Cons. 4s, 1990.....(a)....	63½	6.40	g 0.90
Amer. Water Works & Elect. Corp. Col. 5s, 1934.....(c)....	95½	5.70	2.40
Ohio Public Service 7s, 1947.....(c)....	109½	6.50	‡ 2.00
United Fuel Gas 6s, 1936.....(b)....	100	6.00	e 7.01
Virginia Railway & Power 5s, 1934.....(a)....	95	5.70	2.00
Hudson & Manhattan Refunding 5s, 1957.....(c)....	89	5.70	2.60
American Gas & Electric 6s, 2014.....(c)....	97	6.20	2.00
American Power & Light Deb. 6s, 2016.....(c)....	95¼	6.30	3.00
Kansas Gas & Electric 6s, 1952.....(b)....	101¼	5.90	1.80
Havana Elec. Ry. Light & Power 5s, 1954.....(a)....	86¼	6.00	5.00
Commonwealth Power Corp. 6s, 1947.....(c)....	100½	6.00	4.50
Manitoba Power Company 7s, 1941.....(c)....	102	6.80	....
SPECULATIVE			
(For Income and Profit)			
Railroads:			
Chesapeake & Ohio conv. 5s, 1946.....(b)....	104	4.70	1.65
Erie Genl. Lien 4s, 1996.....(b)....	66	6.10	1.81
St. Louis & San Francisco Adj. Mtg. 6s, 1955.....(c)....	87	7.00	1.25
Missouri, Kansas & Texas Adj. Mtg. 5s, 1967.....(c)....	86	5.90	1.10
International Great Northern Adj. 6s, 1952.....(c)....	73	6.00	....
Chicago Great Western 1st 4s, 1959.....(a)....	64	6.90	0.85
Western Maryland 1st Mtg. 4s, 1952.....(a)....	66¾	6.75	1.20
Rock Island, Ark. & Louisiana 1st 4½s, 1934.....(c)....	87	6.40	....
Industrials:			
Pan Amer. Petroleum & Transport conv. 6s, 1934.....(c)....	107¼	5.00	25.00
Cuba Cane Sugar 7s, 1930.....(c)....	96½	7.90	2.10
Empire Gas & Fuel 7½s, Series "A" 1937.....(c)....	101	7.40	2.30
International Mercantile Marine 6s, 1941.....(b)....	90½	7.00	2.50
American Agricultural Chemical Co. 7½s, 1941.....(b)....	100	7.50	....
Warner Sugar Refining Co. 1st 7s, 1941.....(c)....	96	7.50	....
Public Utilities:			
Brooklyn-Manhattan Transit 6s, 1968.....(c)....	87½	6.95	f 1.50
Chicago Railways 1st 5s, 1927.....(a)....	84¾	14.00	1.08
Hudson & Manhattan Adj. Income 5s, 1957.....(b)....	73	7.15	2.00
Interboro Rapid Transit 5s, 1966.....(a)....	70	7.25	0.90
Third Avenue Railway Rfd. 4s, 1960.....(b)....	56	7.60	i 1.35

* Principal and interest guaranteed by Dominion of Canada. † Callable in 1951. ‡ Callable in 1936. ¶ This represents the number of times interest on the companies' entire outstanding funded debt was earned, based on earnings during the last five years. Includes government payments during period of government operations of railroads.

(a) Lowest denom., $1,000. (aa) 1922. (b) Lowest denom., $500. (c) Lowest denom., $100. (d) Lowest denom., $50. e Average last three years. f Average last two years. g Average last four years. i Does not include interest on adjustment bonds.

Securities of Holding and Operating Companies

Which Are More Suitable for the Average Investor?

A Clear Exposition of Little Understood Facts

By CHASE DONALDSON

MANY investors are not aware of the great difference which exists between the essential character of public utility holding company securities and those of operating companies. Really satisfactory investment results cannot be secured without understanding this difference. Generally speaking, holding company stocks, for example, offer better opportunities for enhancement of capital than operating company stocks. On the other hand, the latter are better for purposes of steady, safe income. This article goes into these questions in great detail and gives examples. It is an article well worth the earnest consideration of investors.

THE distinction is not always clearly drawn between the securities of a utility holding company and those of an operating company. The names indicate the essential differences, but there are many obscure factors that influence the investment or speculative worth of the various utility securities.

Briefly, the holding company owns the stocks or other securities of a number of subsidiary companies, usually in different localities, and possibly supplies them with operating, engineering, or managerial services. The operating company, on the other hand, is a self-contained unit that supplies some form of utility service to a single community or area. Combinations of these two classes often occur but a review of the chief characteristics discussed in this article will readily disclose the true nature of any particular company.

The character of (1) the financial statements, (2) the capital structure and method of financing, and (3) the relative position of the securities marketwise are the three major factors to be borne in mind when studying utility securities from both the investment and speculative standpoint.

Financial Statements

The earnings statements of many holding companies are often so involved as to be meaningless to the layman or so brief as to contain little information of real significance. Operating companies, however, usually are required to render very complete statements to Commissions and in addition may have found that attractive statements are of great value as an aid to better public relations. In this latter group may be classed the reports of the *Brooklyn Edison Co.*, the *Commonwealth Edison Co. of Chicago*, and the *Consolidated Gas, Electric Light and Power Co. of Baltimore.* Their reports are further supplemented by "year books" which spare no effort to insure complete understanding of the financial condition and operating problems of the particular company. Such companies can readily be compared with regard to earnings, depreciation and maintenance, capitalization, classes and sources of income, and other significant items.

A few holding company reports indicate clearly all the essential facts on the holding company and each of its subsidiaries, but many leave quite unanswered the questions that are of most importance for purposes of equitable comparison. As examples of the kind of annual reports that would bear study because of the full and frank disclosure of conditions may be cited those of the *Philadelphia Co.* and of the *Standard Gas and Electric Co.*

In the case of both, the earnings statements and the balance sheets, unless the figures are truly "consolidated," that is the totals of the individual figures of the company and all of its subsidiaries—with the inter-company transactions eliminated—the results are practically meaningless. For example, the earnings of a company showing only the actual revenues derived from interest and dividends on the securities held, cannot be compared with those of the holding company that includes in earnings the so-called equity it possesses in the undivided earnings of all its subsidiaries. It may be assumed that the published earnings of the recently issued *Electric Investors, Inc.*, of the *American Superpower* stock and of the *Electric Bond and Share Securities* are only those actually received whereas those of the *North American Co.* and of the *American Water Works and Electric Co.* include all earnings of all properties. It is obvious then, that these two classes of holding companies should not be compared.

Even in the case of those holding companies that show their condition on a comparable basis, there are many pitfalls for the unwary investor. A few companies do not separate their maintenance from their operating expenses, and sometimes even the amount set aside for depreciation is similarly concealed. Actually, these two items tell a very important story, because a company that shows good earnings on its common stock might actually have improved these earnings at the expense of the subsidiaries' properties. Such a state of affairs, whether

intentionally brought about or not, is very often reflected in the market quotations for the stocks. Such properties as the *American Gas and Electric Co.* and the *American Power and Light Co.* have been exceptionally well maintained—even to the point of building up a hidden value—whereas the subsidiary companies of the *Standard Gas and Electric Co.* have not fared quite so well in this respect.

Capital Structure—Financing

Until recently, many holding companies financed their requirements (purchase of additional properties, working capital, etc.) largely through the issuance of notes and bonds of the holding company secured by the stocks and other securities of the subsidiary companies. Occasionally debentures (unsecured obligations) of the holding company have been sold. *The American Gas and Electric Co.* and other of the *Electric Bond and Share* properties have made extensive use of this form of financing. As a result of this practice, most utility holding companies have a large proportion of bonds and notes to common stock. Operating companies, on the other hand, are limited by the rulings of State Commissions as to the amount of bonds that can be issued to some 75 to 80 per cent of the value of the property that is to be acquired. Preferred and common stocks are sold to make up the balance of the amount required. The situation might quite conceivably exist where a holding company and its subsidiaries had outstanding a larger par value in securities than actually existed in property value. The excess in this case would represent the capitalization of the earning power remaining to the holding company securities.

Generally speaking, an entirely different background exists for both the junior and senior securities; *the bonds and notes of the holding company are preceded by all of the bonds, notes and preferred stocks of the subsidiaries, and consequently have little direct claim on the property value. The bonds of the operating company are secured by property and are followed by large equities in preferred and common stocks.* The market recognizes the difference between these two types of securities as shown by the yield of 6.25% on the Public Service Corp. (N. J.) 6s of 1944 at 97 compared with the yield of 5.10% on the United Electric Light and Power 5s of 1933 selling at 99.

The same circumstances that frequently make the bonds and notes of the holding company less attractive investments than those of the operating company are favorable to the holding company common stocks from the speculative angle. If the earnings of a holding company are constantly growing from year to year—the earnings to the common stock increase in proportion to the weight of senior securities ahead of the stock. This condition is the result of the so-called "trading on the equity" familiar to all students of corporate financial structures. Another variable affecting the growth of common stock earnings is of course the number of shares of holding company common stock; consider the North American Co. with 2,852,426 shares compared with the 191,678 shares of the Middle West Utilities Co.

The common stock of a true operating company, on the other hand, does not have the same speculative opportunity for appreciation but is usually better protected because of the larger earnings that remain to the stock after deducting bond interest, preferred dividends, etc.

Continuing the argument on the earnings that remain to a common

(*Please turn to page* 788)

YOUR OPPORTUNITY TO CO-OPERATE WITH US!

Answers to The Magazine's Questionnaire (February 14th issue, pp. 642-3) began flowing in within a few hours of publication.

It seems certain that a big response will be had and that, from this response, the editors will be able to compile a very accurate cross-section picture of the Average Investor, with all the educational possibilities that that implies.

In order to make the results as conclusive as possible, we urge all readers who have not filled out the Questionnaire to do so now.

This is YOUR opportunity to co-operate with us in one of the most interesting undertakings ever sponsored by a national publication.

Holding vs. Operating Public Utilities

APPROXIMATE 1924 EARNINGS COMPARED WITH MARKET PRICES AND NUMBER OF SHARES

HOLDING COMPANIES	Gross (Millions)	*Net to Com. (Millions)	Per Cent of Gross	Shares Common	Earned per Share	Dividend per Share	Recent Price	Per Cent Earned on Market
American Gas & Electric.......	36.3	5.7	15.7	1,235,966	$4.60	$1	77	6.0
American Power & Light........	33.7	3.3	9.9	1,480,353	2.20	1	54	4.1
Amer. Water Works & Electric..	37.9	1.3	3.5	† 500,000	1.90	1.20	38	5.0
Commonwealth Power Corp......	31.5	2.2	7.1	200,000	10.60	6	120	8.9
Middle West Utilities...........	38.9	1.7	4.5	191,678	‡ 7.50	..	88	8.4
National Power & Light.........	22.4	1.7	7.9	122,952	14.50	6	200	7.2
United Light & Power..........	33.9	1.5	4.5	374,682	4.00	1.60	48	8.0
OPERATING COMPANIES								
Brooklyn Edison	24.8	5.9	24.1	597,544	12.60	8	130	10.0
Commonwealth Edison, Chicago..	§ 49.1	7.5	15.3	700,000	11.20	8	137	8.2
Cons. Gas, El. & Power, Baltimore	21.3	3.6	17.0	701,288	5.00	2	33	15.0
Detroit Edison	34.1	6.1	18.0	624,514	12.30	8	115	10.7
Philadelphia Electric	29.6	8.0	27.0	2,372,298	3.40	2	42	8.1

* After Depreciation. † Includes Participating Preferred. ‡ After Preferred Participation. § 1923 Figures.

Big Oil Companies in Position to Cash In on Inventory Profits

Inventory Position of Fourteen Leading Companies—Pointers for the Oil Investor

By FREDERICK H. THOMPSON

OIL inventories are the backbone of the petroleum producing and distributing business. Simon-pure producers of crude oil as a rule do not run to large inventories since their main objective is to get the oil out of the ground and sell it at going prices. Some producers store considerable oil because of lack of transportation facilities or unfavorable market conditions, but a drop in crude prices means to them merely smaller margins of profits and not losses, unless they are compelled to sell their oil at less than production cost. That does not happen very often.

The manufacturer of oil, i. e., the producer of fuel oil, gasoline, kerosene and the multifarious by-products of petroleum, finds the matter of inventory an ever recurrent problem. There is always the temptation to stock up or hold back products from the market when the outlook is favorable, in the hope of making a "killing." When the refiner yields to this impulse, he becomes a speculator in oil as well as a manufacturer, though he may not realize it. Speculation in oil, owing to the mercurial nature of the business, is attended by more than ordinary hazards. Many are the disasters which have resulted from that cause. Cosden and Pierce Oil are two striking examples of companies which got into difficulties because of injudicious handling of inventories.

The Standard Oil Method

Insufficient inventory, on the other hand, is an evil second only to over-inventory. Continuity of operation is necessary to enable any refinery to run at maximum efficiency. Insufficient inventory not only precludes that, but prevents the operator from participating to a reasonable extent in the advances in the prices of manufactured products.

The Standard Oil method of handling inventories has stood the test of time as well as any other. Most of the present offshoots of the former, great Standard Oil Company adhere to the inventory methods evolved by John D. Rockefeller and which he, in turn, may have acquired from the founder of the Rothschild fortune. The nub of that method is never to attempt to buy at the absolute bottom or sell at the absolute top.

Success of more than ordinary calibre in the oil business requires, first, an unswerving faith in the future of the industry, secondly, a large working capital, and thirdly, patience. The former Standard Oil Company had an abundance of all three. The results it attained spoke volumes for the soundness of its methods.

On declining oil markets, well managed oil companies are buyers of crude oil. They continue buying "on a scale" down until the market has made its bottom and is on the upswing. Then, as prices advance, they begin to lighten their inventory load, being governed

An Interesting Comparison of Oil Companies

Note: Investors should find this comparative table useful. It shows which companies have the largest amount of oil expressed in terms of their capitalizations. Naturally, those with the largest percentage are in the strongest position to take advantage of the rise in oil prices, and their earnings this year should be especially stimulated.

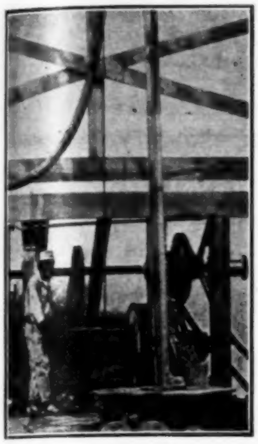
	Inventories as last reported	Dollar of inventory per dollar of capitaliz'n†	Dollar of inv'tory per dollar of stock capitaliz'n
General Petroleum	$22,063,298	.44	.69
Prairie Oil & Gas	54,711,570	.91	.91
Texas Co.	**84,279,977	.50	.51
Standard of New Jersey	245,908,139	.35	.35
Gulf Oil	40,380,568	.28	.36
Standard of Indiana	46,241,823	.28	.28
Standard of California	62,898,360	.24	.27
Pure Oil	19,410,375	.17	.20
Pan American Petroleum	17,382,568	.11	.13
Cosden	7,194,399	.11	.15
Sinclair	*22,233,665	.07	.09
Shell Union Oil	15,981,652	.05	.05
Marland Oil	11,203,599	***	***
Phillips Petroleum	10,830,378	***	***

* Includes materials and supplies.

** Includes merchandise.

*** Not computable as company does not report capital and surplus items separately.

† Includes bond and stock capitalization.



by the outlook for the industry, consumptive demand and similar considerations. Sometimes, the cycle embraces several months or even several years, but to date the industry has always justified the faith of the ones who have backed that faith.

No Oil Boom Since 1920

It is now going on five years since the oil industry has enjoyed anything like a boom. 1921 was a period of extreme depression in all lines and 1922 was but a fair year. 1923 started with brilliant prospects but the deluge of California and Texas oil knocked the props from under oil prices. Many oil companies showed large inventory losses at the end of the year.

The same story was repeated in 1924. In that year, it was not new fields but increased production in old fields which upset the oil-price structure. In 1924, stocks of crude and refined products reached record totals, but as they were carried, in the main, by strong companies with adequate working capital and credit resources, there was no demoralization in the industry although many of the weaker independents felt the stern pinch of necessity. In conformance with their established policy, the larger companies bought considerable oil in the second half of 1924 but in that six months' period, consumption finally outran production and made it possible to decrease materially the total of stocks on hand. In the period from August to December inclusive, the total of all oil products in storage decreased nearly 11,000,000 bbls. Stocks are still large but are in strong hands.

The Present Situation

We now again have the oil industry entering into a new year with large stocks, but excellent prospects. With production in the Wortham field below the 70,000 bbls. per day mark, the possibility of that field proving to be a second Powell field has gone glimmering. There is no big, new production in sight. The outlook, then, is for a good oil year from the price viewpoint. Unless something untoward happens to disturb the situation, and that is an always ever-present menace in the oil industry, it would appear that the well-managed oil companies stand an excellent chance of cashing in this year as the reward for their patience of the last two years.

Which Will Profit Most?

Other things being equal, the companies which have the most oil bought at the best prices will make the most money in 1925. While it is not possible to ascertain the actual average price at which the various companies purchased their present inventories, it is possible to show those inventories as last reported. This is done in the table which accompanies this article. Oil inventories are usually figured at either cost or market, whichever is lower, and the figures in the tabulation are as of January 1, 1924, or for July 1 of last year where the latter are available. As most of the larger companies added somewhat to their inventories last year, it may be assumed, unless otherwise indicated in

the text, that their inventory positions were not greatly changed at the end of the year from that at the beginning.

Generally speaking, oil prices are now close to the average of last year's prices. *As the big oil companies increase their stocks when oil is cheap, it may safely be assumed that present prices represent a substantial appreciation over the average cost of inventories.*

Some of the Leading Companies

As previously stated, *Cosden* has suffered in times past from inventory losses. Last year a different policy was adopted with the result that inventories, which at the beginning of the year totaled nearly $10,000,000, had been reduced to slightly more than $7,000,000 by July 1 last. This change in policy followed a change in management. In the second half of 1924, Cosden reduced its gasoline stocks to the lowest point in the company's history. A special meeting of stockholders was called for February 21 to change the company's name to the Mid-Continent Petroleum Corporation. Early this year, Cosden had 8,000,000 gallons of gasoline in stock compared with normal requirements of 15,000,000 gallons and a stock of 70,000,000 gallons a year previous. The company had also several million barrels of crude oil bought at low prices.

General Petroleum is third on the appended list in reference to the value of oil stored in relation to capitalization. The company now has upwards of 15,000,000 bbls. of oil in its tanks and the recent advance in prices on the Pacific Coast added approximately $7,000,000 to the value of the company's inventory. Last year, the company earned approximately $7 a share on its stock. From the middle of 1923 to the middle of 1924, the company nearly doubled the volume of its stored oil.

Marland also doubled its stored oil in the same time. At the beginning of last year, Marland held 1,750,000 bbls. of crude to which was added 4,250,000 bbls. during the year. Approximately 70% of the additional oil was purchased during the period of low, crude prices. Marland is now one of the largest buyers of crude oil in Oklahoma and Texas.

From January 1, 1924, to July 1, 1924, *Pan-American* increased its inventories $3,650,000, expressed in terms of dollars. While figures are not available there is no reason to suppose that the astute management of this company failed to take advantage of the low crude prices in the second half of 1924.

Phillips Petroleum is a producer of crude oil and a manufacturer of gasoline. It is the largest manufacturer of gasoline from natural gas in this country, turning out about 275,000 gals. daily. The company has about 7,100,000 bbls. of light crude in storage. Early this year the company announced that it would store no more crude oil but would sell the balance of its production, over amounts contracted for, in the mid-continent open market.

Prairie Oil & Gas and the *Sinclair Crude Pur-*

(Please turn to page 787)

Industrials

The Stock I Like Best of All

Investment Experts Tell Which Stock They Prefer Among Issues Representing Twelve Important Industries

THE recommendations contained in this article represent the personal views of a number of investment experts who were assigned the task of telling our readers which stock they preferred in each of the twelve different security groups. Each analyst was given that group in which he had specialized. Thus for railroads, we went to a railroad analyst; for public utilities, to a specialist in that field; for steels, to a steel man, and so on. The selections given therefore may be said to represent the expert views of men who have spent years in the analysis of special groups of securities.

Though members of the staff of THE MAGAZINE OF WALL STREET are represented, we have by no means limited the field to our own specialists. For this reason, perhaps, this set of articles will command more than usual interest.

In order to qualify for selection, the stock had to contain the following features: (1) at least some degree of investment value; (2) if a dividend-payer, prospects for higher dividends; (3) if a non-dividend payer, prospects for dividends; (4) a fair opportunity for price appreciation, and (5) listed on the New York Stock Exchange. Other than these, no restrictions were imposed. It was left entirely to the writers to give their own views as to which stock they preferred above all the others in the same group of securities.

Of course, it should be understood that analysts differ in their views as to which is the best security in any given group. Generally, this is a matter of opinion. One analyst will prefer one stock for certain reasons, and another will prefer another stock for equally good reasons. It depends on the object which it is desired to achieve. If price appreciation is desired above all, then that stock which in the opinion of the writer has the best prospects for a large market advance, will be the one chosen. If a good dividend return is desired in preference to price appreciation, then that stock which offers the best, at the same time the most secured yield of any in its group, will be the one selected. It is clear, therefore, that in order to obtain the fullest advantage of the recommendations given, the reader should attempt to understand the underlying purpose of each selection.

It should be understood, of course, that the selections represent only the views of the individual writers, THE MAGAZINE OF WALL STREET having merely offered them the opportunity to express their views freely. On the other hand, the investor should find these reviews useful in respect to (1) aiding him to make new commitments, and (2) offering him an interesting opportunity to compare his own stocks with those selected. If convinced that the selections given here are more attractive than his own, he may find it desirable to make the switch.

TWELVE STOCKS SELECTED BY EXPERTS

INDUSTRY	NAME OF STOCK All Common	Earned Per Share	Paid 1924	1924 High	1924 Low	1925 High	1925 Low	Recent Price	Yield %	1924 Earn'gs in % of Mkt. Price
1. *Rail*	St. Louis-San Francisco	$12.15	(a)	65	19⅛	70⅜	57½	70	7.1	17.3
2. *Rail Equipment*	Amer. Steel Foundries	5.75	3.00	49	33½	49	46	48	6.3	11.9
3. *Utility*	Newport News & Hampton Rwy.	6.70	5.00	57⅛	45⅛	54½	53	53	9.4	12.6
4. *Iron and Steel*	Sloss-Sheffield	(b) 10.00	6.00	87⅞	52	97	82	88	6.8	11.3
5. *Petroleum*	Standard of Indiana	*	2.50	68¾	54¼	70	62⅛	65	3.8	*
6. *Copper*	Kennecott	(b) 6.00	3.00	57¾	34⅛	57¾	51⅞	52	5.8	11.5
7. *Tobacco*	Liggett & Myers	6.04	3.00	68¾	50	71½	61¼	60	(c) 6.6	9.7
8. *Merchandising*	Nat. Dept. Stores	6.75	...	43	36¼	42¾	38½	41	..	16.5
9. *Rubber and Tire*	B. F. Goodrich	10.57	...	38½	17	49¼	36¾	44	..	23.9
10. *Sugar*	Great Western Sugar	(b) 18.00	8.00	96⅞	83¼	95¼	91	93	8.6	19.3
11. *Chemical*	U. S. Industrial Alcohol	(b) 11.00	...	87	61	88	77⅜	78	..	14.1
12. *Automobile*	Hudson Motor	6.11	3.00	36	20½	41¾	33¾	40	7.5	15.3

* Unavailable. (a) New dividend at rate of $5.00 annually. (b) Estimated. (c) Incl. extra of $1.

1. *Railroad*

ST. LOUIS-SAN FRANCISCO

'Frisco Common Cheapest $5 Dividend Stock Among Rails

WITH conditions surrounding the railroads more favorable than in years, together with the broad movement toward consolidations that is now under way, there are many stocks in this group that appear attractive despite the important appreciation in market value that has already occurred. It is difficult to designate any one stock as the best purchase, but after carefully weighing all factors entering into the situation my selection is St. Louis-San Francisco common.

Having only recently entered the dividend-paying class this stock is not, of course, as seasoned an investment as other railroad issues which have been paying dividends for years. Nevertheless, while it has a speculative flavor, fundamental conditions appear so favorable that I believe it to possess the best prospects of any of the rail group for appreciation in market value within a reasonably short period.

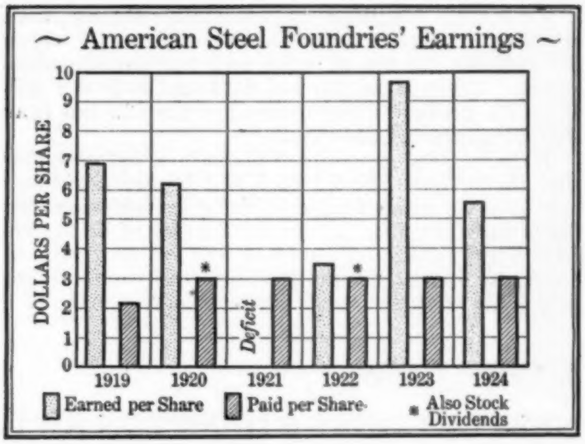
Compared with other $5 dividend-paying common stocks in the rail group, 'Frisco is far out of line at 70. Southern Rwy. paying $5 sells close to 90, and Baltimore & Ohio, another $5 payer, sells above 80. There appears no sound reason for this discrepancy in market price as 'Frisco in 1924 earned $12.50 a share on the common, approximately the same as Southern Rwy. and more than Baltimore & Ohio.

Indications point to considerably higher earnings this year. Gross for January was approximately 7.7 millions, a new high record for that month and an increase of $623,000 over the corresponding month in 1924. Thus far February gross has been running about 15% ahead of the 1924 figure. As operating conditions are favorable in the road's territory, net earnings should be correspondingly large. A conservative estimate of the January net indicates a surplus equal to $1.20 a share on the common stock which compares with average monthly earnings for the first half of last year equal to 60 cents a share.

Not only is the present $5 dividend well protected, but in view of increasing earnings there are possibilities of a still higher rate. At present levels of 70, yielding 7.1% the stock represents an outstanding opportunity.—F. L. K.

'Frisco Common Compared with B. & O. and Southern Rwy.

	St. L.-San Fr. Common	B. & O. Common	South'n Ry. Common
Dividend Rate	$5	$5	$5
Earned, 1924	12.15	10.00	12.30
Recent Price......	70	81	90
% 1924 Earned on Market Price ...	17.3%	12.3%	13.7%



2. *Railroad Equipment*

AMERICAN STEEL FOUNDRIES

Higher Dividend in Prospect—Strong Cash Position — Large Earnings

AS indicated by current reports of car loadings the railroads are now handling a record volume of traffic. Under such conditions wear and tear on railroad equipment is heavy and the business of the equipment manufacturers is bound to improve. An examination of conditions surrounding this industry, however, indicates that some manufacturers are in a better position to benefit than others. Locomotive manufacturers, for example, can look forward to a fair amount of business this year but no boom is in prospect. The extensive locomotive purchases made by railroads in 1923 together with mechanical devices which have improved locomotive efficiency to a considerable extent, are factors operating against an unusual demand this year. Car manufacturers should do better but even here boom conditions are not indicated. For the past two years railroads have purchased cars in large volume and as a result are well equipped in this particular. In the Fall of 1924, even when carloadings were running at the rate of a million cars a week there was a surplus of cars. The manufacturers of miscellaneous railroad equipment such as bolsters for freight cars, brake beams, springs, wheels, etc., appear to have the best prospects, as replacement demand for this class of material is always heavy when the roads are handling a large volume of traffic.

Taking the above conditions into consideration, it is the conclusion of the writer that American Steel Foundries, one of the largest manufacturers of miscellaneous railway equipment, offers the best opportunity at the present time among the equipment stocks.

Under favorable conditions Amer. Steel Foundries has a substantial earning power as evidenced by results in 1923 when $9.67 a share was earned on the stock. Although operations in 1924 were at the rate of only two-thirds of capacity the company succeeded in earning $5.75 a share on the common. At the present time operations are around 80% of capacity compared with 70% in January, and a still higher rate is indicated.

Financial condition is unusually strong with working capital in excess of 20 millions, of which 13 millions consits of cash and marketable securities. There is no funded debt and only 8.9 millions 7% preferred stock ahead of the 722,196 (par $33⅓) shares of common.

With current earnings at the rate of between two and three times the $3 dividend higher dividends are clearly indicated, especially considering the large cash surplus. At present levels of 48 American Steel Foundries common has not advanced to the same extent as many other equipment stocks and is the cheapest stock in this group.—D. O. Y.

3. *Public Utility*

NEWPORT NEWS & HAMPTON RWY. GAS & ELECTRIC

An Unfamiliar But Attractive Stock

AT a time when it is exceedingly difficult to find electric light and power common stocks selling to yield a high return, it is interesting to note that Newport News & Hampton Railway Gas & Electric Co. common stock is quoted around 53 to yield over 10%. This security is listed on the New York Stock Exchange and dividends have been regularly paid for over two years, at the rate of $5.00 per share annually.

This company was hard hit during the past three years through the general business decline which occurred in the territory it serves. But increased industrial activity within the past few months indicates a pronounced change for the better. For instance, the company's earnings for the month of November, 1924, were approximately 15% ahead of those for the same month of the previous year. Earnings for 1923 totaled $11.00 a share before, and $6.65 after depreciation allowance, and earnings for 1924 based on official figures for the first eleven months should total $11.50 and $6.70 per share on the common stock before and after depreciation respectively. The accompanying table indicates the extent of increase that is expected during the current year.

Not only is the Newport News & Hampton Railway Gas & Electric Company conservatively capitalized, but its plants and properties are in excellent condition. Its depreciation reserve is unusually large and plant capacity is greatly in excess of current requirements. This means that increased demand for its services will provide a proportionately greater increase in net revenues. While the word "Railway" appears in the official name of the company, it should be noted that less than 20% of its net earnings are derived from traction operations.

The common stock in my estimation is the only outstanding attractive speculative opportunity in the listed public utility group. It is understood that no change in the dividend rate will be made, and since earnings are in excess of requirements and the company is in excellent financial condition, the stock possesses a degree of investment as well as speculative merit. *It can be recommended as a business man's speculation with very good possibilities for eventual market appreciation.*—J. M.

Newport News & Hampton Rwy. Gas & Electric Co.

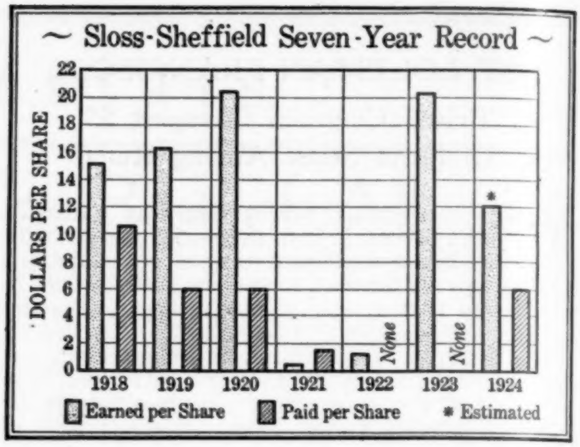
	1921	1922	1923	1924*	1925†
			(000 Omitted)		
Gross	$2,550	$2,086	$2,100	$2,050	$2,250
Net	403	426	390	395	440
Earned per share	‡ 24.80	11.60	11.00	11.50	12.00
	§ 6.45	4.20	6.65	6.70	8.40
Shares outstanding	12,750	28,000	28,000	28,000	28,000

* Partly estimated.

† Estimated on basis of recent increase in revenues.

‡ Before depreciation. Depreciation reserve now amounts to nearly 10% of property account.

§ After depreciation allowance.



4. *Iron and Steel*

SLOSS-SHEFFIELD

Large Earning Power—Common Stock Considered Most Attractive of the Group

TO select the "most attractive" from the steel group and omit United States Steel may seem at first thought almost high treason. It is a matter of national knowledge that the big corporation stands out as one of the greatest industrial enterprises in the world, and this universal recognition is responsible for the fact that the United States Steel common has run far ahead of the other steels.

In selecting a steel or iron stock at this stage of the market the logical idea is to select a company whose strength and possibilities have not been recognized and at the same time a company which is in position to invite recognition of its good qualities. Sloss-Sheffield Steel & Iron is such a company. It has relatively small capitalization, ability to earn largely, a compact operating situation and the prospect of excellent earnings in 1925, which would mean the third successive year of large surpluses.

Sloss-Sheffield is an old company as American industrial corporations go, with operating properties situated in Alabama around the Birmingham district. It is a producer of pig iron, not finished

steel. In addition, the company has 100,000 acres of coal and ore lands in Alabama. The New York financial sponsorship is first class.

Sloss-Sheffield has rather a sketchy funded debt, but the total is under $10,000,000. Following the funded debt is an issue of $6,700,000 7% non-cumulative preferred. Investigations have revealed that there are no accumulated dividends upon the preferred stock. At the time of the U. S. Cast Iron Pipe & Foundry preferred dividend decision, it was thought that Sloss-Sheffield preferred might be in the same position. Hence the official investigation which has dissipated any such ideas.

During 1924, Sloss-Sheffield fortified its position by the acquisition of The Alabama Company. It is expected that earnings from the Alabama properties will not only meet interest, but provide for amortization of the purchase price in about five years. Sloss-Sheffield has the record of having earned a profit in every year since its incorporation in 1899, and the last two years have been especially good. It may be said that the company earned a total of $35 a share upon the common stock in the two years ended December 31, 1924, and current earnings, combined with the outlook, justify an expectation of a third year of earnings which may bring the total for the three years to $50 a share.

Charges ahead of the common stock amount to less than $1,000,000 and there are only 100,000 shares of common outstanding. The dividend rate is $6 a year, and even after the advance of the stock market the shares are still selling to yield more than 6%; not because Sloss-Sheffield is a weak company, not because there is suspicion of earning power, but because the company has received little publicity, and ordinarily there is a limited speculative interest in the stock, perhaps because floating supply is small. Such a condition, however, does not prevent anyone, who is buying for value, for income return, from picking up Sloss-Sheffield common.

The dividend return compares very favorably with the dividend return on other standard steel stocks, and the chances of an increase this year are as favorable, it would seem, as in the case of U. S. Steel, or Gulf States, which has already declared a stock dividend.—T. W.

5. *Petroleum*

STANDARD OF INDIANA

World's Largest Producer of Gasoline —Long and Successful Record

	Operating Profit (000 omitted)	Net Income (000 omitted)	Earned per Share*	Paid per share* Regular	Paid per share* Extra Cash	Paid per share* Extra Stock	Surplus for Year (000 omitted)
1917	$43,808	$24,408	$84.69	$12.00	$12.00	....	$18,208
1918	43,263	23,263	77.54	12.00	12.00	....	16,063
1919	34,604	24,807	82.69	12.00	12.00	....	17,607
1920	61,377	40,973	11.63	3.00	4.00	150%	31,856
1921	23,288	21,288	4.96	4.00	....	....	5,602
1922	55,881	49,381	6.61	4.00	....	100%	31,927
1923	46,938	41,538	4.68	2.50	....	....	19,431

* Par to 1919 inclusive $100; subsequently $25.

In looking over the oil list, one is impressed by the number of really excellent companies from which to make a choice. Because I have selected Standard of Indiana is no reflection upon many other very good concerns which might, perhaps, appeal to another type of investor even more than Standard of Indiana. But I confess to being influenced by the size of this company, its long and very successful record and its present strategical status in the oil industry.

Standard of Indiana is thirty-six years old and before the Standard Oil dissolution in 1911, was one of the main blocks in the Standard Oil arch. While it has deviated from the old Standard Oil principles to the extent of having amended its charter in 1917 to permit it to engage in the business of producing and transporting crude oil, it is still essentially a Standard Oil corporation in spirit and practice, although the cohesion between it and other Standard Oil companies has about reached a vanishing point.

Standard of Indiana is the largest producer and seller of gasoline in this country, turning out approximately 1,500,000 gallons of gasoline a day. It markets about one-quarter of all the gasoline sold in the United States. Gasoline, as everyone knows is still the cream of the oil business, although the growing demand and higher prices for fuel oil make that statement of less importance than a few years ago.

Standard of Indiana, through the location of its several refineries and extensive pipe-lines, is strategically situated with reference to many of the important oil producing areas east of the Rockies and is in touch with most of the important consumptive areas.

The company owns the fundamental Burton process for cracking gasoline from crude oil and not only utilizes this process but leases it on a royalty basis.

The company's earnings and dividend record is impressive as shown in the tabulation which accompanies this article. The management is regarded as being able and aggressive in oil circles though it must be admitted that the recent exposures in connection with the purchase of large quantities of oil by this company in conjunction with Prairie Oil & Gas and Sinclair, from the Humphrey's oil companies, has done little to enhance the reputation of certain officials of the company.

But now that the news is out it may be regarded as certain that the weak spots in the management will eventually be eliminated.

Standard of Indiana has less than $80,000 bonds outstanding and has always maintained a strong, working capital position. That item totaled upwards of $56,000,000 as last reported.

At present, the company is credited with having upwards of 36,000,000 bbls. of crude oil in storage while its gasoline storage runs from 175,000,000 to 200,000,000 gallons. It is the only company which materially added to its storage of gasoline last year. In this respect Indiana has followed a fundamental Standard Oil precept, namely, to acquire crude and refined products while they are cheap and hold them until they are dear. This re-

quires money and patience but Standard of Indiana has both. If nothing happens to upset the oil situation this year, Standard of Indiana should be able to show some very nice profits for 1925. The stock is now quoted at 65, pays $2.50 in dividends and yields 3.8%. *It should make a satisfactory commitment from a long-range viewpoint.*—B. P.

6. *Copper*

KENNECOTT COPPER

Considered the Premier Copper Investment—Unusually Fine Management

FOR an individual to state arbitrarily that any individual copper stock is the "best" is to lay claim to a degree of omniscience usually characteristic of extreme youth of inexperience Everyone, however, may say with propriety what copper is the best for his purposes or best in his opinion. With that qualification in mind I have not hesitated to select Kennecott Copper.

Kennecott particularly appeals to me for the following reasons:

1. *Very large ore reserves.*
2. *Low production costs.*
3. *Diversity of fields of operation.*
4. *Very experienced management.*
5. *No funded debt.*
6. *Strong financial position.*
7. *The best of banking support.*
8. *Unusual marketing facilities.*

While other copper companies may possess all or most of the above mentioned characteristics to a considerable extent it seems to the writer that no one of them possesses all to the same degree as does Kennecott.

Kennecott owns among other possessions, 90% of Utah Copper, all of Braden Copper and about 40% of Mother Lode stock outstanding. These are the company's largest production units. Kennecott's two biggest subsidiaries, Utah and Braden, have combined ore reserves totaling in excess of 620,000 tons. Estimated total of copper recoverable from these reserves exceeds 17 billion pounds. These figures are so large that the human mind finds difficulty in encompassing them. Last year Kennecott produced 450,000,000 lbs. of copper at a cost of about 8½ cents a lb., earning, before depreciation and depletion, close to $6 a share. Volume of output and costs attained are satisfactory while the profits, in view of the depressed price of the metal last year, were all that could reasonably be expected. The scenes of Kennceott's operations are Alaska, United States and South America, giving it unusual diversity in respect to operations. Last year the company retired the $17,000,000 Braden bonds outstanding leaving Kennecott free from funded debt. At the end of the year, the company possessed nearly $35,000,000 in net current assets, mostly in cash and copper. This is better than $9 per share on the outstanding stock.

Kennecott is a Guggenheim-Morgan-Jackling-Hayden outfit. The Guggenheims and Jackling represent the mining brains while Morgan and Hayden represent the banking support. It is a combination hard to improve upon.

The American Smelting & Refining Co. is the largest seller as well as one of the oldest sellers of metals in this country. It handles Kennecott's output and the latter benefits from the former's long experience, international facilities and selling expertness. Nor are the backers of Kennecott lacking the experience and skill necessary to make the most of Kennecott's advantage marketwise.

For these reasons, therefore, I have selected Kennecott for what appeals to me as a premier copper investment. The record of Kennecott's earnings and dividend disbursements which accompanies this article includes a period of important development by Kennecott as well as the era of post-war readjustment. Those figures are hardly representative of the present Kennecott's earnings and possibilities.—A. T. M.

Kennecott's Earnings Record

	Net Income	Earned per Share	Paid per Share	Year's Surplus
1916...	$27,661,713	$ .92	$5.50	$12,341,430
1917...	11,545,419	4.14	*3.70	d10,318,785
1918...	7,127,004	2.55	*2.00	1,402,915
1919...	446,871	.16	*1.00	d2,340,202
1920...	1,469,397	.52	*1.00	d1,317,684
1921...	d389,858	....	.....	d389,858
1922...	804,176	.29	.....	804,176
1923...	3,706,401	.96	*.....	3,706,401
1924...	**	†6.00	3.00	**

* In addition the following "capital distributions" were charged against capital account: 1917, $2.00; 1918, $2.00; 1919, $1.00; 1920, $1.00; 1923, $3.00.

** Not yet reported.

† Estimated and before depreciation and depletion.

d Deficit.

7. *Tobacco*

LIGGETT & MYERS

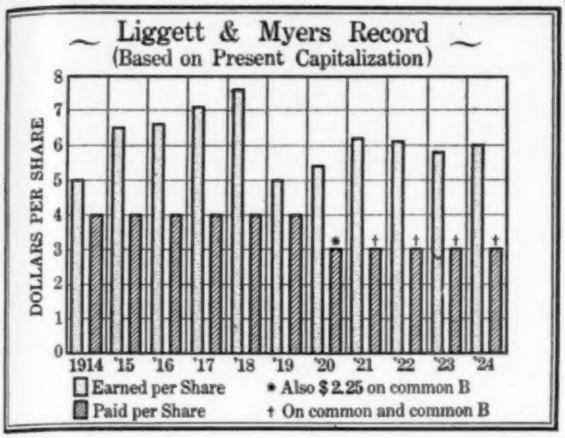
Has Not Returned Less than 12% on Common Since 1913

GIVING due consideration to financial strength, earning power, management, future growth and relative market position, the choice of tobacco stocks would seem to fall logically on Liggett & Myers. Few companies may boast a stronger financial structure, few a more stable record of earnings.

In the past thirteen years, net income has never fallen below 20% for the common stock—equivalent to $20 a share on the old $100 par value common and $5 on the new $25 par shares. After paying out 44.90 million dollars in dividends on the common and preferred stocks during this period, 40.10 millions were retained for surplus and utilized to build up the business.

At the close of 1924, Liggett & Myers had working capital of 80.28 million dollars, an amount sufficient to retire the 51.43 millions of bonds and preferred stock and leave more than $26 a share for the combined common and Class B common stocks.

The company manufactures several brands of smoking and chewing tobaccos, including "Duke's



Mixture," "Velvet," "Star" and "Horse Shoe." Much of its success, however, is due to the progressive policy of the management in pushing the sale of domestic and semi-domestic cigarettes. Its "Fatima" and "Piedmont" brands are well known to the public. "Chesterfields" have taken the lead as Liggett & Myers' most popular product. Last year the company's sales of cigarettes accounted for more than 60% of the 1924 gain in total production of all companies. As the normal tendency of cigarette consumption is strongly upward, the prospect for continued improvement in gross revenues is apparent.

Unlike most of the larger tobacco companies, Liggett & Myers has paid no stock dividends. It has, however, never returned less than 12% on the common shares since 1913, and has given shareholders some valuable rights in connection with the sale of class B shares. To secure additional working capital for expansion, 10.73 millions of the latter were sold in 1920. An additional 10.81 millions were sold last year. This issue shares equally with the common in respect to dividends and any distribution of assets, but has no voting power.

Regular quarterly dividends of 75 cents a share are being paid on both classes of common stock. Recently an extra cash disbursement of $1 a share was ordered. *On the basis of current prices around* 60, *the common stock yields* 6.6%, *if the extra payment is included. While this is not a generous return, the company's strong financial position and promising future entitle the common shares to consideration as an excellent long-pull holding.*—R. S.

8. *Mercantile*

NATIONAL DEPARTMENT STORES

A Low-Priced Issue Selling Out of Line with Its Prospects

THE chain store and mail order stocks, as a group, are selling at rather fancy prices in the present market. Among the dividend-payers, it is practically out of the question to find an issue that may fairly be considered attractive. As the list of non-dividend paying stocks is scanned, it begins to appear that here also, future possibilities have been liberally discounted. Fortunately, however, there would seem to be one stock whose market valuation still sets a modest valuation upon future prospects.

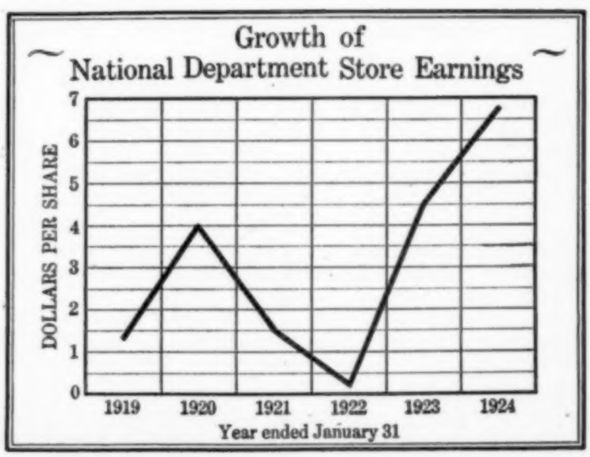
National Department Stores is a comparatively new enterprise in the merchandising field, although the acquired units are not so young. The company came into being in 1922 as a merger of five department stores situated in Cleveland, Pittsburgh, St. Louis, and Wheeling. A year later, the Frank & Sedar group of retail department stores was absorbed. This acquisition practically doubled gross sales. Other companies have been added from time to time. Operations at present cover the cities of Philadelphia, Minneapolis, Trenton, Detroit, St. Paul and Richmond, in addition to those already named.

By virtue of the wide distribution of its stores and the various classes of industrial populations served, the business is more or less immune from unfavorable influences affecting the operations of individual units.

Gross sales reflect the rapid expansion of the business. For the year ended January 31, 1919, National Department Stores reported revenues of 31.61 million dollars. For the fiscal year, 1924, the total sales had mounted to 76.39 millions. The record of net earnings, however, has been rather erratic. This is due, in part, to the relative youth of the consolidated company, but more particularly to the fact that it was organized during a period of difficulty for practically all industrial establishments.

Net profits per share of common stock, on the basis of existing capitalization, fluctuated between 22 cents and $4 a share in the period 1919-1922. The effect of centralized management and improved business conditions began to be felt in 1923, however, when a net of $4.50 a share was shown. A further gain was made in the year ended January 31, 1924, with a balance of $6.75 a share reported for the common. As the company gets its stride, additional gains may be anticipated.

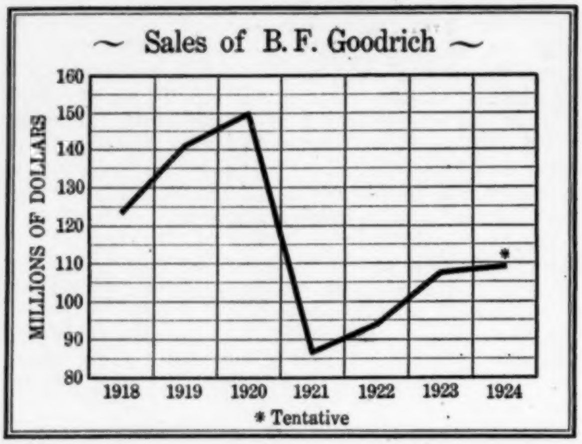
Financial position is good. As of July 31, 1924, National had 16.92 million dollars of current assets against current liabilities of 6.77 millions, leaving working capital of 10.15 millions. *While dividends may not be forthcoming in the immediate future, the common shares possess possibilities which the current market price around* 41 *has not discounted as fully as those of most merchandising stocks.*—G. T.



9. *Rubber and Tire*

B. F. GOODRICH CO.

All Bank Debts Liquidated—Dividend Payment Probable—Position of Stock



IN the tire group where most of the companies have been under severe operating handicaps for the past two or three years, and where dividends upon common stocks are a rarity, one of the primary points to be considered is dividend possibilities and the extent, marketwise, to which such possibilities may have been discounted. The Goodrich Company is selected as the most attractive because last year about $10 a share was earned upon the common stock, because all bills payable covering banking indebtedness had been liquidated and because evidence at hand points strongly to the fact that the company has eradicated practically all traces of the recent severe depression in the rubber industry.

Net sales of the Goodrich Company in 1924 were only about $2,000,000 above 1923, but the net profit was between 8 and 9 million compared with 3 millions in 1923, indicating substantial improvement in margin of profit and further that the management succeeded in bringing operating conditions under better control, probably stabilizing the relationship between output and consumption. The lack of stabilization in the tire industry has been one of the most unsatisfactory features. All companies, including Goodrich, have been more or less under this handicap and, therefore, it is doubly a strong point when evidence can be presented to show that stability at least is being approached.

At the end of 1924, current assets were in the ratio of about 14 to 1 to current liabilities. At the end of 1923 this same ratio was less than 4 to 1, and at the end of 1922 a little more than 3 to 1. Notes or bills payable at the end of 1923 were over 8 millions, a large portion of which represented bank loans. These bank loans have been eliminated and working capital brought back to a point higher than the totals at the end of 1923 and 1922.

Goodrich common shares outstanding to the amount of 601,000 are preceded by almost $35,000,000 7% cumulative preferred and $23,000,000 first mortgage 6½% bonds due 1947. There is no short term debt, and the company's position does not suggest the necessity of financing. Regular dividends have been maintained upon the preferred stock and that part of the picture is entirely clear.

No dividends have been paid upon the common shares since February, 1921, when the rate of $6 a share was suspended. Naturally the improvement in the position of Goodrich has received considerable publicity and, as a result, the common stock has advanced materially from the low points of 1924, but has not discounted the resumption of dividend payments. It would seem reasonable to suppose that sometime during the present year, directors will find it expedient and conservative to inaugurate dividends. Surplus account has been materially strengthened by last year's earnings and the outlook for the spring in the tire business is considered to be better than at any time since the post-war depression. *A main reason for the attraction of Goodrich common is the expectation of dividend resumption. No rate has been mentioned, officially or semi-officially, but a payment at the rate of $4 a share would seem to be reasonable.*

Another reason, perhaps just as important, is the evidence that Goodrich has reestablished itself as one of the sound corporations in the industry, from a financial standpoint as well as from merchandising viewpoint.—J. M.

10. *Sugar*

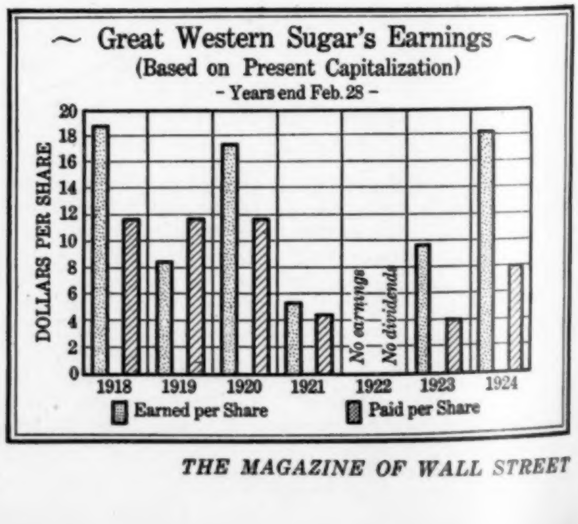
GREAT WESTERN SUGAR

Most Attractive Sugar Stock —Excellent Financial Position

GREAT WESTERN SUGAR is the largest producer of beet sugar in the United States, being responsible for approximately one-third of the country's total output. The company refines and distributes its own crop and has a productive capacity of 7 million bags of sugar per annum. Production costs are lower than those of any other concern in the domestic industry.

While earnings, like those of all sugar companies, are subject to wide fluctuations, Great Western failed only in one year to pay substantial dividends on its common stock since payments were inaugurated. The company has steadily increased the equities back of its common and preferred shares by consistent reinvestment of surplus earnings. As a result, financial position is exceptionally strong. At the close of the 1924 fiscal year surplus account stood at 34.93 million dollars.

A feature of the company's balance sheet is the



high percentage of liquid assets and the solid working capital position. As of May 31, 1924, current assets amounted to 45.26 millions, of which 24.13 millions, or more than 52%, were cash and U. S. Government securities. Current liabilities stood at 1.54 million dollars, making ratio of current assets to current liabilities better than 29 to 1.

Net earnings for the past eight years, including 1921, a year of extreme depression in the sugar industry, have averaged $12.75 a share for the present 15 millions common stock of $25 par value. A total of 39.91 million dollars cash and 4.43 millions in common stock dividends has been paid on the junior issue since 1910.

As a result of the comparatively short beet sugar crop in Idaho and Utah, Great Western is expected to show better than average prices for last season's output, despite less favorable conditions in the sugar industry as a whole. It is estimated that net profits for the fiscal year ending February 28, 1925, will exceed those for 1924, when the company reported $18.26 a share for the common.

The exceptionally strong financial position and well developed earning power of this company entitle its common stock to consideration as the most attractive issue in the sugar group. This is more especially the case in view of the uncertain outlook for companies engaged solely in production of raw sugar.

The present $8 *dividend appears well secured. Yielding* 8.6% *at recent prices around* 93, *Great Western common not only offers a generous return, but has good possibilities for improvement in market value.*—A. D. O.

11. *Chemical*

U. S. INDUSTRIAL ALCOHOL

Common Stock in Extremely Strong Position — Outlook for Dividend Restoration

	Operating Income	Earned on Common	Paid on Common	Price Range High	Low
1918......	$14,073,102	$51.63	$16	137	96
1919......	4,426,260	10.06	14	167	97⅛
1920......	5,102,830	12.00	8	116⅜	56½
1921......	def. 82,638	.....	5	74½	35¼
1922......	1,686,643	3.68	..	72⅞	37
1923......	3,892,924	11.27	..	73¼	40
1924......	not available	*11-12	..	87¼	61⅛

* Estimated. Recent price 78.

IN perhaps no domestic field are the attractions and possibilities greater than in the field of industrial chemistry. In the group of corporations interested in industrial chemistry, U. S. Industrial Alcohol is one of the best known. It is the largest manufacturer of industrial alcohol in the United States and is selected among the chemical group because of large possibilities for earnings expansion on a compact and relatively small capitalization. A total of $30,000,000 represents capitalization, consisting of $6,000,000 7% cumulative preferred stock, 240,000 shares of common, having a par value of $100. This capitalization is represented by fixed and current assets of over $50,000,000, and the common stock has a book value of over $150 a share.

Industrial Alcohol owns subsidiaries for manufacturing distilling apparatus, controls its own distributing companies and in the Cuba Distilling Company has a large subsidiary which devotes itself to gathering and shipping molasses, a commodity which is the most adaptable and fermentable material for the production on a large scale of industrial alcohol. There was a time when U. S. Industrial Alcohol was put in the class of "war brides," but the development of industrial chemistry has been so steady since the war that the company is ready to take place among the more stable industrial corporations. Prices of alcohol are governed largely by industrial activity, and at the end of 1924 prices of all grades of alcohol were 10 cents higher than at the close of 1923. Thus the price situation is another factor which favors the company. As a matter of fact, in the last eight years, Industrial Alcohol has failed to show profits in only one year, and that was in 1921. In the years of the war the company was quite liberal in dividend payments, perhaps just a little too liberal, and the present reluctance of directors to resume dividends upon the common stock is fundamentally more a point in its favor than would have been the restoration of a dividend just as soon as business began to turn for the better. At this time it is proposed to resume payments only when the management is confident of their permanency.

During the past four or five years, Industrial Alcohol has devoted large sums to the development of the plants of the U. S. Industrial Chemical Company. This is the principal subsidiary and is going intensively into developing new industrial chemical products. In this connection it is interesting to note the entrance of the company into the fertilizer field, where owing to the drastic readjustments of the past three or four years conditions are better for intelligent effort than they have been since the war.

Working capital has been restored and that side of the picture at the end of 1924 compares favorably with conditions prior to the 1921 depression. Per share earnings in 1924, while not yet published, are believed to have been at least equal to 1923, which would mean earnings in the two years of more than $20 a share on the common. The resumption of dividends upon the common stock seems more logical than it has for the past two years.

Thus, a combination of reasons, which include an important position in an industry susceptible to tremendous expansion, strong treasury position, compact capitalization, excellent earnings for two years and good prospects for a third, make the common stock a most attractive medium, from the standpoint of appreciation in principal price, together with a reasonable expectation of the establishment of a stable income basis.—H. B.

HUDSON MOTOR CAR

Production Increased 600% Since 1917—Higher Dividends?

CHOOSING the most attractive motor stock is largely a matter of individual preference. It may be conceded that the stronger companies will show satisfactory earnings during the next several months and that a number of stocks in this group present interesting possibilities. Certain fundamental conditions, however, must be taken into account in arriving at a choice.

The current year promises to be one of increased competition in the motor industry. Material costs have been rising since last November and are relatively high. Selling prices, on the other hand, were quite generally reduced during January. Obviously, profits per car must be affected by two such important developments. It follows, therefore, that those companies which are able to maintain a high average of sales and production will fare best with respect to earnings.

Hudson seems favorably situated in this respect. The company has grown from small beginning to its present size, as one of the most important producers of medium-priced models. It is the leader among closed-car manufacturers, under guidance of strong management. Output has increased from approximately 21,000 cars in the 1917 fiscal year to 150,000 cars in 1924. From present indications, last year's record will be surpassed in 1925.

Hudson's balance sheets show that, while stockholders have been accorded generous treatment, the company has not failed to save a substantial share of surplus earnings for reinvestment in plants and working capital to keep pace with the expanding scope of operations. Surplus, including common stock capitalization, at the close of November, 1924, stood at 26.70 million dollars, compared with 8.66 millions seven years ago. Working capital, at the same time, increased from 4.88 millions to 15.05 million dollars.

Earnings in the past three years, including net of \$6.11 in 1924, have averaged \$6.27 a share for the capital stock, or more than double dividend requirements. It is apparent that the strong financial and trade position of the company justify expectations of a more liberal rate than the present \$3 payment. *At current quotations around* 40, *the stock yields* 7.5% *and still has good speculative possibilities as a potential* \$4 *dividend-payer.*

Hudson Motor Car

(Years End Nov. 30)

	Cars Produced and Sold	Earned per Share	Paid per Share
1917	21,320	\$7.44	\$2.60
1918	13,343	6.20	2.40
1919	39,286	11.50	2.60
1920	48,439	5.82	3.60
1921	25,415	3.68	....
1922	61,233	6.03	3
1923	88,188	6.67	3
1924	150,000	6.11	3

DID SECRETARY MELLON AND FEDERAL RESERVE AID STOCK MARKET BOOM?

(*Continued from page* 731)

on proper understanding of the one of the great functions of the stock market, which is to discount conditions in advance.

Secretary Mellon's Part

The political aspects of Senator Shipstead's speech are likewise interesting. His point of view generally is that the financing of the bull market was aided and abetted by the Secretary of the Treasury and the Federal Reserve Board, that they deliberately permitted call money to get down to 2% in order to facilitate stock market speculation. Thus, the Senator says: "The New York Stock Exchange has been enjoying the greatest orgy of stock sales in its history. Under the stimulation of two per cent call money, aided by the Treasury and the Federal Reserve Board, the volume of stock sales has doubled and now reaches a daily average of two million shares." He then accuses the Treasury Department and Federal Reserve Board of having produced a prosperity exhibit "by throwing off all restraint upon stock gambling through check on call-loans, and reducing that rate to a paltry two per cent."

The accusation of the Senator that Government financial institutions are used in aiding stock market operations is a serious one. His proof in this case is not convincing. Our own idea is that the two per cent call money rate was not due to machinations by the Federal Reserve Board or the Secretary of the Treasury but to the fact that business last summer was poor, that commercial funds consequently were not in demand and that the overflow of surplus capital forced a reduction in the money rate.

Unquestionably, by raising instead of lowering its rediscount rate the Federal Reserve Board could have artificially stimulated an advance in money rates. But to what purpose? There was so much capital available at the time that it was difficult to lend it even at low rates. Would there have been any greater demand if rates were raised?

Of course, the reader may be sure that the big financial interests were not averse to taking advantage of the then low call money rates for purposes of stock accumulation. But that is quite a different thing from suggesting that the Secretary of the Treasury or the Federal Reserve Board deliberately lowered money rates to facilitate stock speculation. As a general thing, the money market is subject to world influences and no Government official for any length of time can artificially influence rates one way or another.

We give space to this discussion because it seems to us that there is so much needless animosity to our financial institutions that we would be in a far better position if there were less of it. It is very easy to cry "Wolf" when the name of Wall Street is mentioned. This is the great pastime in Congress today. Fortunately, the public is becoming accustomed to these outcries. It listens to them, smiles, shrugs its shoulders and then goes about its business.

What the News Means

~ Timely and plain-spoken interpretations of the important financial happenings of the day ~

French Securities—

—are regarded with apprehension by certain members of our mightiest banking group. To date the French attitude seems to be one of endeavoring to find some unassailable reason why France should not pay its $4,000,000,000 debt to the United States. One ingenious argument is that the French "human capital" loss during the war represents at least 17 billion dollars. Hence, ethically at least, we are a heavy debtor on balance, to France. But such a consideration was not mentioned in the bond. The worst kind of debtor is not the one who can't pay but the one who won't pay. National character is but the sum total of individual characters. Bankers depend largely upon character in their business.

* * *

Continental Baking "A"—

—stock is reported to be backed by a strong pool with resources totaling around $3,000,000. The members of the pool believe that the present price of the stock does not represent a fair expression of its value. On a comparative basis with other similar securities they maintain that Continental "A" should be selling above 180 a share. The purpose of the pool is, of course, to put the stock up. Pools will always tell you when to buy but seldom when to sell—at the right time. And the best intentioned pools are not always successful—any more than individuals.

* * *

Henry Ford on the High Seas—

—sounds like the title to one of the "Work and Win" series familiar to most of us in our early youth. But what it really means is that Henry Ford has bought a large Shipping Board vessel, is refitting it with Diesel engines and will presently send it abroad carrying Ford products. There

IMPORTANT CHANGES IN CAPITALIZATION OF LEADING COMPANIES

Proposed Changes

AJAX RUBBER CO.
Mar. 2—To offer: to Capital Stockho'ders of record Feb. 9, right to subscribe, at $10, to new stock on basis of 1 share new to each 5⅔ shares held, shares....75,000

AMERICAN CAR & FOUNDRY
Mar. 5—To change par value: of Common Stock from $100 to no par.
To authorize: increase in Common Stock from 300,000 shares to 600,000.
To organize: AMERICAN CAR & FOUNDRY SECURITIES CO., with $10,000,000 Capital Stock, all owned by parent Co., to "Take over, hold, handle and dispose of stocks, bonds, equipment trust notes and other securities now owned by American Car & Foundry Company."

AMERICAN WATER WORKS & ELECTRIC
To retire: 6% participating preferred stock....$10,000,000

CHICAGO, ST. PAUL, MINNEAPOLIS & OMAHA RY.
Until May 31—Stockholders may exchange 1 share Common for 5/7 share of CHICAGO & NORTHWESTERN RY. Common, and 1 share of Preferred for 1½ shares of Northwestern Common.

CLUETT, PEABODY & CO.
Feb. 25—To change par value: of Common Stock from $100 to no par.
To increase: authorized Common from 180,000 shares to 250,000. (Part of this increase, together with block of Preferred, to pay for recent acquisition of EARL & WILSON CO.)

COCA COLA
To retire: at par ($100), 20% of auth. & outstndg 7% Pfd. $2,000,000

COSDEN & CO.
To change name: to MID-CONTINENT PETROLEUM CORP. Latter Corp. to sell: s. f., 1st mtg. 6½s, '40....$12,500,000

DANIEL BOONE WOOLEN MILLS
Mar. 3—To reduce par value: of Capital Stock from $25 to $5, "In order to wipe out present deficit."
To sell: deb. bonds, and some of its woolen and worsted mills.

DU PONT (E. I.) DE NEMOURS & CO.
May 1—To redeem: at 107, g. 7½s, '31, entire issue....$18,164,000

FARMERS LOAN & TRUST CO.
Mar. 4—To offer: to stockholders right to subscribe, at $100, to new stock, on basis of 1 share new for each share held....$5,000,000

FEDERAL LIGHT & TRACTION
Mar. 1—To redeem: at 110, "A," cv., deb. 7s, '53, entire issue, $2,000,000

FOUNDATION CO.
Mar. 16—To retire at 115, 7% cum. non-par. Pfd. stock, all, shares, 15,504

GENERAL PETROLEUM
Feb.—To redeem at 105, 7s, '31....$500,000

GLIDDEN CO.
To refund s. f., 1st mtg. 8s, '36, (red. at 107½) with an issue of 6s....$2,864,700

HARRISON-WALKER REFRACTORIES
Apr. 20—To increase: authorized Common Stock from $27,000,000 to $36,000,000.
May 19—To pay Common stock dividend of 33⅓ to Common Stockholders of record April 30....$18,500,000

HAYES WHEEL
Feb.—To redeem: at 102½, "A," 1st mtg. 7s, '29....$108,800

IRON PRODUCTS CORP.
May 15—To retire: at 110, 8% cum. Preferred stock, entire issue, $954,900

KRESGE (S. S.) CO.
Apr. 1—To pay: Common stock dividend of 50% to Common Stockholders of record March 16....$12,262,750

LIGGETT & MYERS TOBACCO CO.
Mar. 16—To offer Common and/or Common B Stockholders of record Feb. 16 right to subscribe, at par ($25), to new Common B stock on basis of 1 share new fo each 4 shares held....$8,504,300

MARLAND OIL
Apr. 1—To redeem: at 105, "A," s. f., participating 8s, '31, all, $2,710,000

MARTIN-PARRY CORP.
Mar. 12—To offer: Stockholders of record Feb. 17, right to subscribe at $30, right to subscribe to new Capital Stock, on basis of 1 share new for each 4 shares held, shares....25,000

MINNEAPOLIS & ST. LOUIS R. R. CO. AND DES MOINES & FORT DODGE R. R. CO.
Reorganization: Foreign holders of 1st cons. mtg. 5s, '34 of former Co.; and 1st mtg. 4s, '35 of the latter; granted extension of time for depositing same until March 2.

MISSOURI-KANSAS-TEXAS R. R. CO.
Mar. 1—To redeem: at par, col. tr. 6s, '30, entire issue....$4,750,000

NEW YORK CANNERS
Holders of record Feb. 9 have right to offer 1st Pfd. stock to Sinking Fund before Feb. 26, if presented personally in Rochester, N. Y., or mailed before Feb. 24.

PERE MARQUETTE RY. CO.
To sell: bonds to "Reimburse its treasury for expenditures made in betterments and purchase of securities of subsidiary Companies, $7,814,000

PUBLIC SERVICE CORP. OF N. J.
Mar. 31—To offer: 7% and 8% Preferred Stockholders of record Jan. 16, right to subscribe, at $100, to new 7% Pfd. stock, on basis of 1 share new for each 10 shares held....$3,499,504

PUBLIC SERVICE GAS & ELECTRIC CO.
To issue: 6% cum. Pfd. stock in lieu of 1,500,000 shares of its own unissued non-par value Common stock....$15,000,000

READING CO.
To sell: eq. tr. ctfs....$8,000,000
Dec. 31—To offer: to Common and 1st and 2nd Preferred Stockholders of record Dec. 17, 1923, right to purchase, at $4, non-par value stock of PHILADELPHIA & READING COAL & IRON CORP., in ratio of 1 share for each 2 shares of Reading Co. held, $5,600,000

SHERWIN WILLIAMS CO.
Mar. 1—To retire: at 105, additional block of 7% Pfd stock $1,000,000

UNITED DRUG CO.
To issue: for cash, Common stock ($100 par), shares....180,817
To offer: Stockholders of LIGGETT INTERNATIONAL, LTD., right to exchange each share for 1 1/7 shares of United Drug 1st Pfd.

WEBER & HEILBRONER CO.
Apr. 30—To pay: Common stock dividend of 2% to Common Stockholders of record April 15, shares....15,034

were many who scoffed when Ford went into the railroad business by purchasing the Detroit, Toledo & Ironton Railroad. But their derision proved ill-founded. It may be that in his latest move Ford has indicated the solution to our shipping problem. This time, at least, it will be a real "peace ship" which Ford will send to Europe.

* * *

Another New Oil Pool—

—now threatens to throw a monkey wrench into the balanced oil situation. Location of the latest scare to the petroleum industry, is situated in Kosse County, Texas. Early reports stated that oil was struck in the famous Balcones Fault around the 3,600 feet level, and gave a real chill to the oil industry. Later reports, however, seemed to indicate that the prospective new field would not prove to be a Powell or even a Wortham field. The psychological effect of such scares is to keep oil prices from advancing too rapidly. That is much the best for the industry in the long run.

* * *

Petroleum Production Decreased—

—2% in the United States last year. This is the first decrease in production noted in eighteen years. Indications also pointed that world's production would fall considerably below the approximate billion barrels produced in 1923. Decreases in the outputs of the United States and Mexico more than offset gains in Russia, Persia, Rumania, Venezuela, etc. Domestic deliveries, on the other hand, totaled 748,000,000 bbls., an increase of 5% over 1923 and a new high record. These figures indicate the basis on which the oil industry bases its hopes of a prosperous year in 1925.

* * *

Radio Merger—

—rumors are rife. Several widely known companies are reported to be considering an amalgamation which will bring under a single head all the steps in the radio manufacturing business from the production of raw materials to the distribution of finished products. Such a combination is logical and will, undoubtedly, come eventually, even though present negotiations are not consummated. For an industry which changes so rapidly it is better that it be grouped under fewer heads.

* * *

Baldwin's Sorry Statement—

—showing the company failed to earn its preferred dividend last year has occasioned much comment in the Street. Baldwin's decrease of nearly $77,000,000 in gross business is worthy of a panic year and 1924 was far from that. Baldwin's chief competitor, American Locomotive, showed about $9.50 earned on its common stock. It requires no great perspicacity to conclude that something is wrong somewhere.

Preferred Stocks

THE general stock market was very highly irregular with quotations showing very substantial declines from the levels ruling for the past several months, but the sharp set-back in common stocks was with very little effect on the preferred issues. As a matter of fact, advances were the rule in this division of the stock list, not only among the sound issues, but also in the middle-grade division. It took only a few transactions in the Endicott-Johnson shares, for instance, to bring them to a 6% basis. In the middle-grade division, sharp advances were recorded by the Armour & Company of Delaware and National Cloak & Suit preferred stocks. The speculative section was led by American Beet Sugar and Austin, Nichols & Company, preferred, with three point gains in each case. In spite of the ruling level of money rates, it will be observed from the list below that there are yet a considerable number of opportunities available to secure an income of seven per cent and over.

PREFERRED STOCK GUIDE

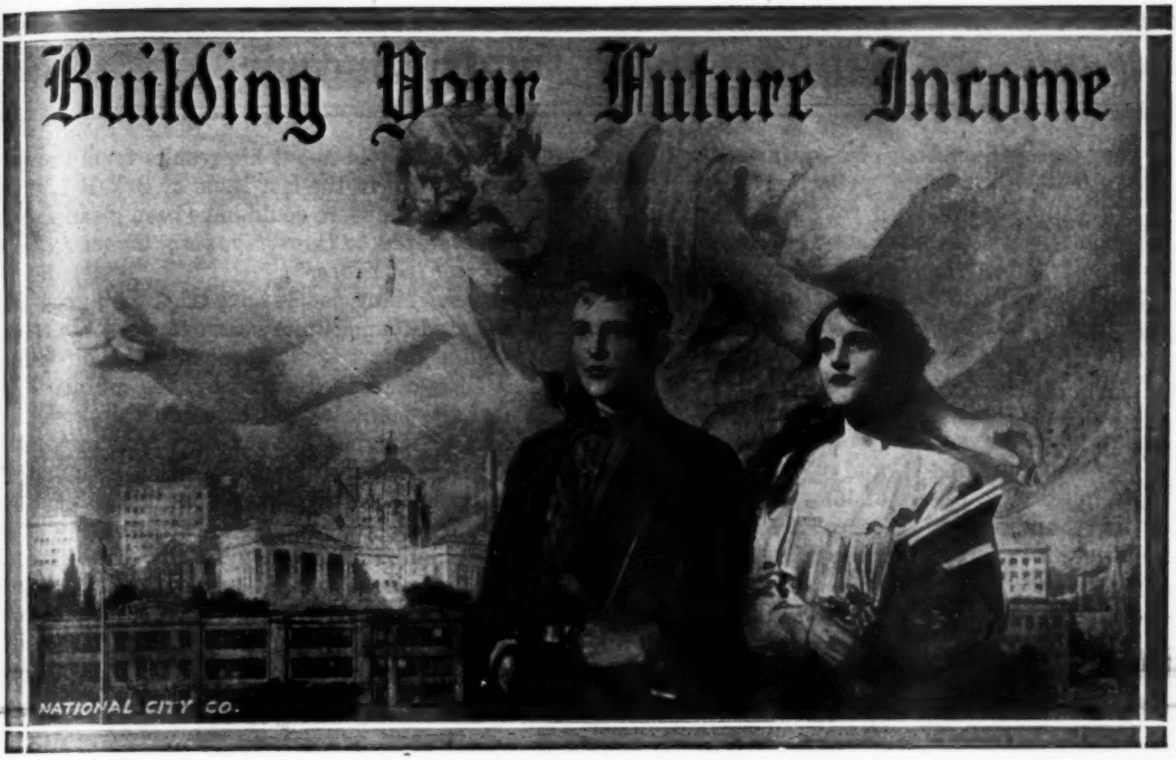
(LISTED IN ORDER OF PREFERENCE)

These Stocks Are Selected as Offering Best Opportunities in Their Respective Classes, Taking Into Consideration Assets, Earnings and Financial Condition of the Companies Named.

	Div. Rate $ per share	Approx. Price	Approx. Yield	†Divid'd Times Earned
Sound Investments				
INDUSTRIALS:				
Mack Trucks, Inc., 1st ....(c.)...	7	107½	6.5	(y)2.8
General Motors Corp. ....(c.)...	7	108	6.5	(y)5.1
Cluett-Peabody & Co. ....(c.)...	7	105¾	6.6	4.7
Loose-Wiles Biscuit Co. 1st ....(c.)...	7	104	6.7	3.8
Studebaker Corporation ....(c.)...	7	114	6.1	20.0
Schulte Retail Stores Corp. ....(c.)...	8	114	7.1	(w)10.0
Gimbel Brothers, Inc. ....(c.)...	7	103	6.8	3.3
Baldwin Locomotive Works ....(c.)...	7	116	6.0	4.4
Endicott-Johnson Corp. ....(c.)...	7	116	6.0	4.6
American Smelting & Ref. Co. ....(c.)...	7	110	6.4	1.7
American Steel Foundries ....(c.)...	7	110	6.4	5.0
U. S. Industrial Alcohol Co. ....(c.)...	7	105	6.6	6.4
Associated Dry Goods Co. 1st ....(c.)...	6	98	6.1	3.0
PUBLIC UTILITIES:				
North American Co. ....(c.)...	3	47¾	6.3	(w)6.9
Philadelphia Company ....(c.)...	3	46½	6.4	5.6
RAILROADS:				
Chicago & Northwestern ....(c.)...	7	116	6.0	...
New York, Chicago & St. Louis ....(c.)...	6	91	6.6	(x)2.5
Chesapeake & Ohio conv. ....(c.)...	6.50	107½	6.0	4.9
Middle-Grade Investments				
INDUSTRIALS:				
Bush Terminal Buildings Co. ....(c.)...	7	98	7.1	1.1
Coca-Cola Co. ....(c.)...	7	99	7.1	(z)5.1
Brown Shoe Co. ....(c.)...	7	100	7.0	2.3
Cuban-American Sugar Co. ....(c.)...	7	100	7.0	6.4
California Petroleum partic. pfd ....(c.)...	7	105	6.6	1.3
American Ice Company ....(n.c.)...	6	78	7.7	2.2
Armour & Co. of Del. ....(c.)...	7	97	7.2	(z) 2.9
Allis-Chalmers Mfg. Co. ....(c.)...	7	106	6.6	2.8
Genl. American Tank Car Co. ....(c.)...	7	98	7.2	5.4
Natl. Cloak & Suit Co. ....(c.)...	7	103	6.8	...
PUBLIC UTILITIES:				
Radio Corp. of America A pfd ....(c.)...	3.50	51	7.0	(w) 2.5
Amer. W. Wks. & Elec. Corp. 1st ....(c.)...	7	102	6.8	(x) 2.2
Metropolitan Edison ....(c.)...	7	99	7.1	...
Public Service of N. J. ....(c.)...	8	112	7.0	(y) 3.4
RAILROADS:				
Baltimore & Ohio ....(n.c.)...	4	65	6.1	...
Bangor & Aroostook ....(c.)...	7	94	7.5	2.5
Colorado & Southern 1st pfd ....(n.c.)...	4	64	6.2	6.3
Semi-Speculative Investments				
INDUSTRIALS:				
Famous Players-Lasky Corp. ....(c.)...	8	105	7.6	(y) 5.7
Pure Oil Co. conv. pfd ....(c.)...	8	105	7.6	3.5
American Beet Sugar Co. ....(n.c.)...	6	85	7.0	1.8
National Department Stores ....(c.)...	7	100	7.0	4.0
Fisher Body Corp. of Ohio ....(c.)...	8	106	7.5	...
Austin, Nichols & Co.	7	91	7.7	(w) 1.5
Worthington Pump & Mfg. "A" ....(c.)...	7	86	8.1	2.0
Orpheum Circuit ....(c.)...	8	101	7.9	(w) 2.5
International Paper Co. ....(c)...	6	76½	7.8	1.78
PUBLIC UTILITIES:				
Amer. Water Wks. & Elec. 2d pfd ...(n.c.)...	6	101	5.9	(w) 1.8
Speculative Investments				
RAILROADS:				
Chicago, Rock Island & Pac. ....(6-7%)...	7	95	7.4	(x) 1.88
Gulf, Mobile & Northern ....(c.)...	6	92	6.5	(w) 1.28
Western Pacific ....(c.)...	6	91	6.6	(w) 1.00

(c) Cumulative. (n.c.) Non-Cumulative.
(w) Average for last two years.
(x) Average for last three years.
(y) Average for last four years.
(z) Stock was issued this year.

* Based on average earnings during past six years.
† Average number times earned last five years.



Perhaps This Is the Solution

IF you were asked to devise one rule by means of which the financial ills of all America could be cured overnight, what would your rule be?

Ours would be: *Make them pay cash for every manufactured article they buy.* We specify "manufactured article" because that permits us to except homes, securities, insurance, etc., whose instalment-plan purchase, when wisely selected, we highly approve.

Judging from experience, observation and hearsay, no other single rule could so quickly relieve the distress that exists.

For it is not what our people pay for outright that gets them into trouble.

It is what they undertake to buy on the instalment plan and which they often consume, or use to the wearing-out stage, before completing the last instalment on it.

* * *

Of course, it might be possible to take too cold-blooded a view of the modern credit system which makes buying so easy.

It is an indubitable fact that easy credit brings light and happiness, in the form of tangible possessions, into many a home a lot sooner than could otherwise be the case.

But who is prepared to say that the right to use articles bought on credit outweighs the gruelling burden of INDEBTEDNESS which credit-purchases entail? Not we.

As we say, our judgment is that easy credit does far more harm than good—causes far more misery than happiness—is, indeed, at the bottom of most of the financial ills of the average American man and woman and the typical American home of to-day.

* * *

For those who doubt the soundness of our stand, we suggest a year's trial. During that year, buy nothing for which you do not pay the full price, in cash, on the day of purchase.

It is easy to foresee how satisfactory your results will be.

Unless you are an exceptional case, this trial-year will mark the first year in your mature life in which you have not become beholden to any man.

You will have acquired everything you purchased at the discount that goes with cash, and will thus have been able to acquire more.

You will be absolutely free to do with any or all of your possessions as you please.

You will not have around you obsolete motor cars, or obsolete radio sets, or worn-out clothing, or broken china which still have to be paid for.

Each month's income will be yours to do with

as you please. Somebody else—or a group of somebody elses—will have no "prior lien" upon it.

You will be ready, with your full resources and earning powers, to meet any emergency or advantage from any opportunity that arises.

And you will be FREE OF DEBT—with all that that implies in moral satisfaction and mental ease.

* * *

Have any others tried this "pay-as-you-go" plan of living? Oh, yes. Many others.

One who has tried it, and offers you an exceedingly impressive report of his results, is a reader of this Department, "Henry B. Northup." You will find his report on another page, under the caption, *"Getting Your Money's Worth Out of Your Income."* Another reader, under the pseudonym "Ex-Soldier," told about his results from the pay-as-you-go plan in the last issue of B Y F I. How good his results were could have been gleaned from the title affixed to the story, viz., *"From Debts to Bonds in Five Years."*

Oh, yes. Many people have tried the pay-as-you-go plan and found it more than worth while. They are telling their friends about it, and their friends are telling others. By and by, the essential *wisdom* of the plan may get into general circulation.

Meanwhile, ignorance of its rewards, or too little courage or self-restaint to practice it, must continue to do what they have done in the past, i.e., further extend the practice of credit-buying in this country and further add to the fixed-expenses which have already made so many American homes "top-heavy" and financially insecure.

Most of the proceeds of Life Insurance policies are wasted—or lost—within a few months of their receipt

Will Your Estate Be Frittered Away?

It Was Not Easy to Accumulate—Why Make It Easy to Dissipate?

By Florence Provost Clarendon

"WITH all my wordly goods I thee endow," firmly repeated the youthful bridegroom at the marriage ceremony.

One year later he died, after an illness of five days. Pneumonia. The worldly goods with which he endowed his bride consisted of the furniture in the little home and $5,000 life insurance. The proceeds of the insurance policy were paid to her in a lump sum a few days after his death.

The young widow tucked the check for $5,000 in her purse, and sought the advice of a well-meaning and impractical relative. The money was applied, at the suggestion of the optimistic relative, to purchase stock of a highly speculative type promising large returns. Within a year the financial bubble had burst and the young investor was left penniless.

When the policyholder applied for this life insurance, it was with the definite intention of providing maintenance for his wife in case of his untimely call to cross The Great Divide. She was a girl of twenty, and he had every prospect of living to a ripe old age—but the Grim Reaper is no respecter of Youth and Happiness. Had the young husband endowed his wife with an *income*, if only for a limited period of years, her inheritance would have been "fool-proof" against impractical advisers. Left with a fund of $5,000, and having no experience in the field of investment, she sought "advice." Was it fair to leave her with this responsibility?

How Insurance May Be Paid

Life insurance policies are to a certain extent standardized. They include benefits, options, and privileges which are common to the contracts of all Old Line companies. One of the most important of these clauses, or options, is that relating to "Modes of Settlement." The wording of this clause varies in the policies of different companies, but its general scope may be gathered from reading the accompanying extract from the policy form of an Old Line non-participating life insurance company.

The use of these alternative options of settlement has become increasingly popular. The most satisfactory way is for the insured himself to designate the mode of settling the proceeds *when he applies for the policy.* In this way the policy when issued has this particular mode of payment endorsed on it, and the policyholder thus "insures his insurance" by providing that the proceeds will not be lost by his beneficiary through unwise investment.

Had the young man above described arranged that his life insurance be paid as *income*, his beneficiary's resources would have been conserved. A judicious arrangement in such circumstances would have been that $1,000 of the proceeds should be paid to the beneficiary in cash, and the remaining $4,000 in five equal annual instalments. According to the illustrative table, this would provide an annual income of approximately $850 for five years, with $1,000 immediate cash to be applied toward the usual expenses incidental to the sickness and death of the breadwinner. With this income of $850 annually, the beneficiary would have a modest independence in the first years of her widowhood, and an opportunity to prepare for some position in which she could thereafter earn her living.

If the beneficiary were somewhat older, and had several young children,

the situation would be more pathetic; but this case can also be properly met so as to minimize the suffering. The best mode of settlement for such a case is that outlined in Option (3). For example, a woman thirty-five years old with three children, ages 10, 7, and 2, should of course be protected to a much larger extent than that suggested above. A policy of $10,000 would furnish an income of more than $500 a year, and this income would be paid *for 20 years certain* (that is, whether the widow should live or die during the 20 years), and would continue after the 20 years so long as she might live—to age 100 if need be. By having the income guaranteed for 20 years, a definite provision is made for the education of the children, because this income would continue for their benefit until the youngest one is more than 20 years of age, and presumably then independent and in a position to help the mother.

Protection for One's Children

A man with a family of young children has probably obtained a comfortable position in life so that he can afford to carry larger amounts of life insurance. With three children to provide for, he should probably have some $25,000 of life insurance. If $10,000 were payable as above indicated in instalments, a second $10,000 might be made payable in instalments for a period of 10 years certain, furnishing approximately $100 a month which would be available during the school years of the children.

The foregoing examples are all based upon guaranteed contracts and guaranteed benefits used by non-participating companies. For these particular benefits, the participating policy is in some ways more attractive. Since these benefits may be dalayed for 20, 30, or 40 years, no one can foretell what interest rates may be earned at that time. Accordingly a non-participating company bases its calculations on what is considered a safe rate of 3½%. Many of the participating companies carry conservatism a step further, and use 3% in their calculations, but they give in addition the promise of participation in surplus earnings above 3%. In other words, they guarantee 3% and pay such additional earnings as may be obtained. At the present time most participating companies are paying as much as 4½%, and some even 5%, interest on monies left with them for accumulation, or for instalment settlement on the lines indicated.

Option (1) under the above clause does not appear attractive at the present time on a non-participating basis, although when it may become effective 20 or 30 years hence a 3½% interest return may be highly satisfactory. Participating companies, however, at the present time are sometimes paying as much as 5% interest on the proceeds of policies left with them at interest, and of course they undertake to pay the sum insured at some definite date in the future—at the expiration of 10, 15, or 20 years from the death of the insured.

Occasionally the insured will make a provision that the proceeds of his policy (say $50,000) shall remain with the insurance company at interest (as outlined in Option No. 1), the interest to be paid meantime to his widow, and the $50,000 to be distributed amongst his children in cash at the death of the widow, or on their attaining age 21 or 25 as the case may be.

Variations of this kind under settlement options may be made to meet all the requirements of a testator and the trust is executed by the Insurance company with practically no expense, while the proceeds of the policy pass to the beneficiary or beneficiaries without going through the estate of the insured and therefore without having to bear deductions for administration or for inheritance or other taxation.

Read Your Policy!

These options of settlement in his contract should be carefully read by the policyholder. He should acquaint himself with the benefits offered, and select the one which appears most advantageous for his beneficiary. A story was told in one of the insurance papers lately of an agent who tried to convince his client that the proper mode for payment of life insurance proceeds was by means of *income*. The agent advised that a policy of $100,000 be paid as monthly income, but his client replied indignantly, "My wife's no fool; she understands finance, and runs the house like a major."

The agent said, "Why don't you ask her what she'd do if one day she were to get $100,000 cash all her own, and she knew that you wouldn't be back to consult with for, say, ten years." His client's eyes twinkled, and he said: "I will." The next week he strolled in again to see the agent, and greeted him with "It worked! She said she would *consult the minister!* The one man in the community who is least likely to know about money matters and investments. So today I put my life insurance on an *Income basis!*"

HOW INSURANCE PROCEEDS MAY BE PAID

Being an Extract from the Policy-Form of an Old Line Participating Life Insurance Company

The Insured or the owner, or the beneficiary after the Insured's death, in case the Insured shall have made no election, may by written notice to the Company at its Home Office, elect to have the net sum payable under this Policy upon the death of the Insured paid either in cash or as follows:

(1) By the payment of an annuity equal to three and one-half per centum of such net sum payable at the end of each year during the lifetime of the beneficiary, and by the payment upon the death of the beneficiary of the said net sum, together with any accrued portion of the annuity for the year then current, unless otherwise directed in said notice, to the beneficiary's legal representatives or assigns.

(2) By the payment of equal annual instalments for a specified number of years, the first instalment being payable immediately, in accordance with the following table for each one thousand dollars of said net sum.

(3) By the payment of equal annual instalments payable at the beginning of each year for a fixed period of twenty years and for so many years longer as the beneficiary shall survive, in accordance with the following table for each one thousand dollars of said net sum.

Any instalments payable under (2) or (3) which shall not have been paid prior to the death of the beneficiary shall be paid, unless otherwise directed in said notice, to the beneficiary's legal representatives or assigns.

When any option calling for annual payments is elected, this Policy shall be surrendered upon its maturity and a supplementary non-participating contract shall be issued for the option elected.

Unless otherwise specified by the owner or by the beneficiary in making such election, the beneficiary may at any time surrender the contract guaranteeing the payment of instalments for the commuted value of the payments yet to be made, computed upon the same basis as option (2) in the following table; provided that no such surrender and commutation will be made under option (3) except after the death of the beneficiary occurring within the aforesaid twenty years:

Table of Instalments for Each $1,000

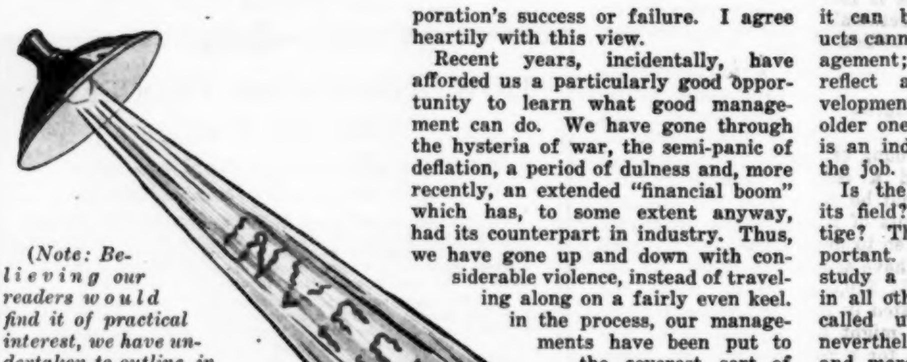
Option 2		Option 3	
No. of Annual Instalments	Amount of Each Instalment	Age of Beneficiary at Death of Insured	Amount of Each Instalment
2	$508.60	20	$45.24
5	213.99	25	46.63
10	116.18	30	48.36
15	83.89	35	50.51
20	67.99	40	53.13
25	58.62	45	56.21
26	57.26	50	59.57
27	55.90	55	62.81
28	54.69	60	65.50
29	53.57	65	67.20
30	52.53	70 and over	67.89

The Five Most Important Things to Know Before Buying a Stock

1) ***Is the Management first-class?***
2) ***Is the Field enduring?***
3) ***Is the Financial Position strong?***
4) ***Does the stock rank high?***
5) ***Can you do better elsewhere?***

Some Elementary Precautions It May Pay Investors to Take

By RALPH RUSHMORE



(Note: Believing our readers would find it of practical interest, we have undertaken to outline, in brief, non-technical language, the factors that appear to be "the five most important things to know before buying a stock." This outline follows.)

THE question we have given ourselves is not an easy one to answer. Investing always was a pretty complex problem, and it seems to be growing more so as time goes on. Under the circumstances, it is no simple matter to boil down the requirements of judicious investing to "five simple rules." About the best that can be done, perhaps, is to name the five most important rules we can think of, in the order in which they happen to occur, and then stop. But the investor should be reminded that there will always be other ground to cover.

The Most Important Thing to Know

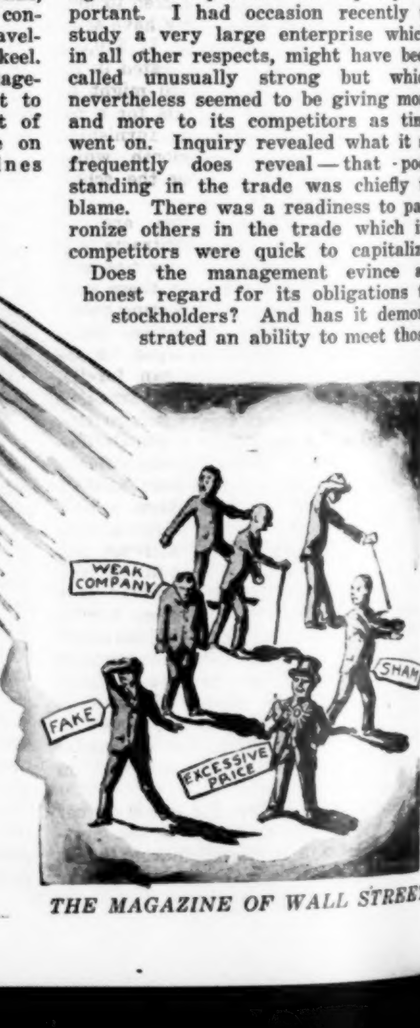
Working along these lines, I should say that the first and most important thing for the investor to do, when selecting a stock, would be to form an intelligent opinion of the ability and trustworthiness of the issuing company's management. I have frequently seen "management" specified in the columns of THE MAGAZINE OF WALL STREET as the primary factor in a corporation's success or failure. I agree heartily with this view.

Recent years, incidentally, have afforded us a particularly good opportunity to learn what good management can do. We have gone through the hysteria of war, the semi-panic of deflation, a period of dulness and, more recently, an extended "financial boom" which has, to some extent anyway, had its counterpart in industry. Thus, we have gone up and down with considerable violence, instead of traveling along on a fairly even keel. in the process, our managements have been put to the severest sort of tests, and we on the sidelines have been able to form some pretty accurate notions of who the good managers are and who the poor ones.

Among the things to know about a management, I would suggest the following: Is it active? Is it progressive? The records, and one's own common sense should suffice in the effort to answer these questions. Constant improvements in a company's product (where it can be improved—and few products cannot) evidence progressive management; aggressive sales methods reflect an active management; development of new products, where older ones show signs of petering out, is an indication that the "boss" is on the job.

Is the management established in its field? Does it enjoy trade prestige? These questions are equally important. I had occasion recently to study a very large enterprise which, in all other respects, might have been called unusually strong but which nevertheless seemed to be giving more and more to its competitors as time went on. Inquiry revealed what it so frequently does reveal — that poor standing in the trade was chiefly to blame. There was a readiness to patronize others in the trade which its competitors were quick to capitalize.

Does the management evince an honest regard for its obligations to stockholders? And has it demonstrated an ability to meet those



obligations? The records will reveal the answers to these questions. Complete, thoroughgoing and straightforward financial reports are a good sign. A wise conservation of stockholders' equities is another. A long tenure of service is another. A good dividend record is another. Thus, if you can say of a management that it has been in office for many years—during that time, except where interrupted by factors beyond its control, has successively added to stockholders' equities—has taken its shareholders into its fullest confidence during the period and attempted no concealment of essential information—and, through it all, has managed to maintain a good rate of dividends: If you can render such a report on a management, it is fair to assume that the interests of its stockholders are in pretty good hands.

What Kind of Field Is It In?

Next to management, perhaps the most important thing to know about a company is the nature of its field. And the field is generally analyzed from the standpoint of whether it is likely to be enduring or not, whether it is productive of opportunity or limited.

Without intending any invidious comparisons, it may be suggested that the corporate records of the past twenty years or so serve as pretty reliable evidence along these lines. Just about every conceivable line of industry has been placed on a corporation basis during this period, and the comparative merits of the various types of endeavor are made quite clear from the records that have been established. Thus, it is common knowledge that the most enduring types of corporate activity have included the railroads, the steel corporations, the electric light and power companies, and others in their class, while the least certain types have included oil and mining companies, novelty manufacturing companies, publishing ventures, amusement enterprises, and the like.

In investigating this phase, the investor might do worse than to apply the question, "Will this company I am considering be still engaged in business on a profitable basis ten, fifteen or twenty years from now?" Answering it, he can be pretty sure that the steel corporation will still be doing business at the same old stand, but he can't say, with any certainty, what the manufacturer of a special type of present-day radio apparatus will be doing; he can say, with considerable assurance, that the big shipping organization will still be transporting its cargoes of human and inanimate freight, but he can't foretell where the present-day moving picture company will be, or even if it will "be" at all.

Nor is the question, "Will the company be profitably engaged ten or fifteen years from now?" far-fetched from the standpoint of the investor himself. He is, presumably, buying the stock for the purposes of swelling his future income. Under the circumstances, the least he can do would be to assure himself, so far as possible, that the company will be here in the future to produce that income for him.

Is the Financial Position Strong?

After analyzing the management and the nature of the field, perhaps the next most important thing to look into is the financial position of the company. And here, of course, we get into a very wide and complex problem.

Studying a corporation from without—as most investors have to do—it is difficult matter for the best of us to formulate an accurate understanding of its financial position. We have its figures, to be sure; but how much do those figures really tell? For one thing, they are seldom current but may instead be several months old before finally reaching stockholders (reports as of December 31, last, are even now just beginning to reach shareholders); for another, many items can be and are included in financial reports whose significance is extremely doubtful.

However, within the limits by which the layman is always bound, the investor can formulate a reasonable opinion of the financial position of a given company from the data which it supplies. And it is this reasonable opinion which he is advised to formulate.

Just what features to examine, in attempting to appraise the financial position of a given company, will depend somewhat upon the nature of the company's business. As a general rule, however, the salient features will be (1) the cash holdings, (2) the net liquid assets, (3) the ratio of current assets to liabilities, (4) the nature of its current indebtedness — whether composed largely of ordinary business paper or whether swelled by advances from banks, (5) the relative amount of its inventories—interpreted in terms of prevailing markets for the materials involved and (6) the amount and nature of its capitalization.

The last feature is of particular interest to the intending buyer of stock, as the amount of the capitalization and its distribution over various kinds

(*Please turn to page* 792)

BYFI'S
Recommendations Table

(For Small Investors)

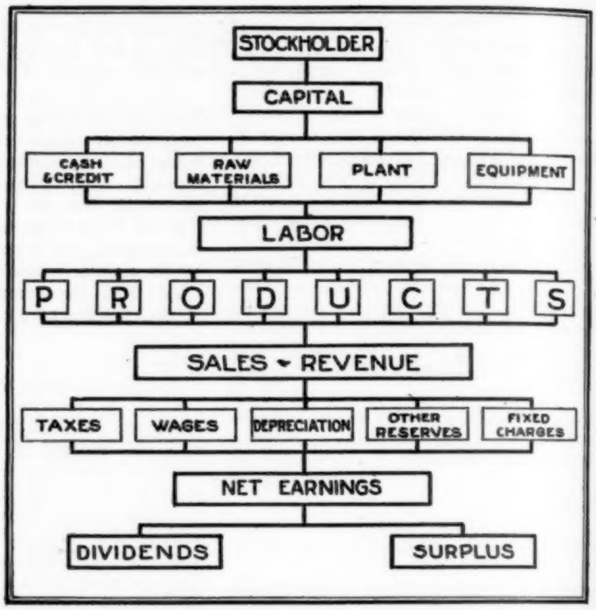
$100 Bonds	Recent Price	Yield to Maturity
St. L. & S. F. R. R. prior lien 4s, '50	73	6.12%
Laclede Gas 5½s, '53	98	5.75
U. S. Rubber 5s, '47	87⅜	6.12

Preferred Stocks	Per Share Dividend Rate	Recent Price	Yield
Cluett Peabody	7	106	6.54%
American Ice	6	78	7.65
Mack Truck 1st	7	109	6.42
Radio Corp.	3½	52	6.73
Schulte Ret. St.	8	115	7.00

Common Stocks	Per Share Dividend Rate	Recent Price	Yield
Amer. Tel. & Tel.	$9	133½	6.65

What Is A Corporation?

How It Functions and the Purposes It Can Serve



The Make-Up of a Corporation

Of course, you know what a corporation is—in a general way. But have you ever tried to describe its workings, show what purposes it serves, explain the relationship of its component parts, one with another?

Try it. It's not uninteresting.

A Diagram to Help

You will find something that may help you in the accompanying diagram—

Which attempts to outline not only the structure of the typical corporation but also its operating methods.

Let's go over it together.

The first thing a corporation has got to have is stockholders. Of course you understand why this is so. Every corporation that is formed needs a certain amount of money with which to start its career. And it's the stockholders from whom that money is obtained.

Once the stockholders and, with them, the necessary capital, have been obtained, the corporation invests a part of its capital in the three essentials of corporate existence, viz., plant, equipment and raw materials. (We're speaking of a manufacturing corporation now, of course. If it's a railroad corporation, it wouldn't put any of its capital into "raw materials"; instead, the capital would go into terminals, rights of way, rolling stock and rails, signals, etc.)

The first two kinds of assets (i. e., "plant and equipment") are known as "fixed assets." This because they continue part of the corporate organism generally as long as it survives.

Quick Assets

The raw materials are part of what is known as "quick assets"—that is, assets which it is the intention to convert quickly into cash, and which can be so converted.

That part of the capital not needed for plant, equipment and material is held over for current uses. It may be used in meeting pay-rolls, purchasing additional material, or for any other current purposes. Together with materials and supplies, it goes to swell what is known as "Workin Capital"—that is, the combination of raw and finished materials, cash and credits which become available for the current needs of the organization.

With the foregoing set-up provided for, the corporation's next step is to obtain sufficient labor, skilled or unskilled as the case may be, to operate the plant. And with this labor obtained, the corporation is ready to turn out what it was formed to manufacture.

The Operating Plan

At this point, we may leave the corporation as a structure and consider it as an operating entity.

We find that, from the proceeds derived from the sale of its products, the corporation has first to deduct Wages and Taxes. In other words, the two groups that share first in the development of any corporation are Labor and the State.

Once the requirements of these two groups have been met, it next becomes desirable for the corporation to take out of earnings a sufficient sum to permit the establishment of essential reserves.

If it be a manufacturing corporation (as we have pictured it) the depreciation reserve is a very essential item. It serves as an offset to the inevitable decline in the phyiscal value of equipment encountered in the ordinary conduct of the business.

With taxes, wages, depreciation and other reserves out of the way, the next step in the operating company's career is to provide for fixed charges. Under this head will come all the charges incident to the funded debt of the company—if it has any—such charges being called "fixed" because the interest rate on a funded debt is always fixed in advance, and must be met at that fixed rate as long as the debt continues to exist.

The Stockholders' Share

What is left, after fixed charges have been paid, becomes known as "Net Earnings" or "Net Profits." And this is available for two purposes: First, to compensate the stockholders for the use of the funds which made the business possible in the first place; thereafter, to build up the surplus account of the company, which latter will act as a bulwark in times of depression, be available for expansion and generally serve as the corporation's "back-log."

It might be noted that the stockholder, whose backing in the beginning was all that made the corporation possible, is the last to share in its results. He takes by far the greater part of the risk, contributes, in so doing, to the welfare of the state, to the employment of labor and to the needs and wants of the consuming public; yet he does not get his return until all other interested parties have gotten theirs. This is why the stockholder is pictured as a constructive factor in the civilized community; it is why he has a right to expect a reasonable regard for his interests from other units in the community; it is why the rewards that go with judicious stockholding are classed as just rewards.

Getting Your Money's Worth Out of Your Income

Workable Plans that Will Apply in Any Household

By HENRY B. NORTHUP

$5,000 Budget
For Family of Three

		Monthly
House Expense		$229.00
Food	$75.00	
Gas, Electricity, Ice, Telephone	15.00	
Service, Laundry, Day Worker	35.00	
House Equipment and Miscellaneous	5.00	
Fuel	14.00	
Rent	85.00	
Health, Recreation, Education		23.00
Amusements	$5.00	
Doctors & Medicine	15.00	
Magazines & Books	3.00	
Husband's Expense		50.00
Clothes, Carfare, Lunches, Miscellaneous		
Wife's Expense		35.00
Miscellaneous		4.66
Charity		5.00
Taxes		10.00
TOTAL EXPENSE		$356.66
Insurance		20.00
Investments		40.00
		$416.66

$10,000 Budget
For Family of Four

		Monthly
House Expense		$395.00
Food & Outside Meals	$100.00	
Gas, Light, Water, Ice, Telephone	29.00	
Service, Maid, Laundry	100.00	
House Equipment & House Miscellaneous	18.00	
Fuel	23.00	
Rent	125.00	
Health, Recreation, Education		60.00
Amusements	$10.00	
Autotmobile	20.00	
Doctors & Medicine	25.00	
Magarines & Books	5.00	
Husband's Expense		75.00
Clothing, Clubs, Carfare, Lunches		
Wife's Expense		75.00
Clothes for self and children, and Mis.		
Miscellaneous Expense		20.00
Charity		20.00
Interest & Taxes		20.00
TOTAL EXPENSE		$665.00
Insurance		40.00
Investments		128.00
		$833.33

THE happy individuals who are able to manage their personal finances year in and year out without a slip are few and far between. All sorts of budgets have been published, and not a day goes by but that thrift in some form or other is discussed in the public press. But between the theory of living within one's income and saving money, and the practice of *actually* saving money there is apt to be a gap of considerable dimensions.

The suggestions made in this article are not based upon theory nor are they based upon averages. On the contrary, these notes represent the results of "spending" experience extending over many years. The actual methods which the writer uses to get something besides grief and debts out of this income are described, and while these particular methods may not be adapted to every person's requirements, nevertheless the underlying principles are sound.

Someone has said that good management does two things. First, it *plans the work*, and second, *it works the plan*. Why not apply these two management rules to your *personal* business? Why not "plan the work" (i. e., budget your income) and "work the plan" (i .e., live within that budget)?

For years I had been told and had read about personal expense budgets, and the necessity of knowing just what I was spending, and of not spending all I earned. But no one ever impressed me sufficiently with the fundamental rule of a personal budget, namely that the item for "Savings" should come out of income *first* and not last (if at all). Each month what is left of income after taking out "Savings" goes to meet "Expenses," and if there isn't enough left of your month's pay check to meet all of your requirements, you'll have to reduce those requirements that month.

A second point of importance in using a budget is to keep a good record of your expenditures, not only as a check against your budget as to its accuracy and fairness, but also to give you a clear idea of what you are actually spending. This may seem like drudgery to most people, but it is an essential to the successful operation of any plan for saving money.

To be concrete in our discussion, I am going to give two budgets in successful operation at present, based on incomes of $5,000.00 and $10,000.00 respectively. These two budgets are based upon records extending over a period of years, in other words they are based upon *experience*.

Every budget should have the following characteristics:

1. *It must be fair, that is, possible of performance.*
2. *It should be based upon a fairly accurate record of expenditures, which will help to insure its practicability.*
3. *The figures for the budget should be average monthly figures, based upon six months or a year of expected and planned expense. For example, the item for "Fuel" in the one case is based upon a yearly cost for coal, wood, or oil of $168.00. In the case of the larger budget it is based upon a fuel expense of $276.00 per year.*

   The budget should be carried on an average monthly basis and the money not spent for fuel in one month is not thereby made available for some other item, rather it must be carried forward unspent against the day when fuel in quantity must be purchased.

(*Please turn to page 793*)

GOOD MANAGEMENT

"Someone has said that good management does two things, viz., plans the work and works the plan.

"Why not apply these rules to your personal life? Why not plan the work (i. e., budget your income) and work the plan (i. e., live within that budget)?"

Mining

Why Some Mining Companies Pay Dividends Apparently Not Earned

Investors Should Not Be Confused by Depreciation and Depletion Charge-offs

TAXATION is the blood-father of depletion, especially in the mining industry. The earnings of the average mining company before and after depletion are quite two different things. They are the reverse of the famous "before and after" of the patent-medicine advertisement.

In the tabulation of fourteen leading mining companies which accompanies this discussion, one notes that eight of them or more than 50% showed a deficit for the last reported fiscal year. But no one of them showed a deficit from operations before charging depreciation and depletion.

Years ago, before the matter of taxation became of paramount importance, the matter of depletion of ore reserves as a charge to either earnings or surplus, was a moot question. Some maintained, with a degree of reason, that a mining company was an *ipso facto* liquidating proposition and that depletion charges were uncalled for and unnecessary. In the case of vein mines it was pointed out that it was difficult and expensive, if not impossible, to prove up large tonnages for years ahead. Moreover, there was no way of absolutely determining long in advance the full limits to the ores in vein mines.

The advent of the porphyries gave a new angle to the depletion question.

(Please turn to page 796)

Earnings of Leading Mining Companies Before and After Depreciation and Depletion Charges

(For Year Ended December 31, 1923)

Company	Shares Outstanding	Net Before Depreciation and Depletion	Net After Depreciation and Depletion	Earned Before Deprec. and Depletion	Earned After Deprec. and Depletion	Dividends Paid	Year's Surplus
Anaconda Copper....	3,000,000	$12,590,708	$8,767,814	$4.19	$2.92	$3.00	§$232,186
Butte & Superior....	290,197	188,361	§31,051	.64	§	1.00	§321,249
Cal. & Arizona......	642,530	1,991,958	503,851	3.10	.78	3.50	§1,744,998
Cerro de Pasco......	1,009,322	8,971,196	2,699,861	8.88	2.73	3.00	§271,821
Chile Copper........	4,391,060	16,837,317	*14,721,264	3.83	*3.25	2.50	3,812,464
Granby Consol.......	344,587	777,327	§664,002	2.25	§	—	§664,002
Inspiration Con......	1,181,967	2,483,977	*2,084,012	2.10	*1.76	2.00	§279,922
Inter. Nickel........	1,673,384	**1,810,488	** 672,031	1.07	†.61	—	672,031
Kennecott	2,863,770	8,249,414	3,706,401	2.88	.96	3.00	§‡575,340
Miami Copper.......	747,114	2,706,687	177,220	3.62	.24	2.00	§1,317,008
Nevada Consol.......	2,000,000	2,620,797	*2,094,676	1.31	*1.05	—	2,094,676
Ray Consolidated....	1,577,179	1,476,599	*1,036,522	.93	*.66	—	1,036,522
St. Joseph Lead.....	1,549,412	***5,647,687	4,110,363	3.64	2.65	2.00	847,294
Utah Copper........	1,624,490	11,604,968	*10,472,799	7.14	*6.46	4.00	3,974,839

§ Deficit.
* Depreciation but no depletion charged against earnings in 1923.
** After preferred dividends.
*** After depreciation.
† On common stock.
‡ In 1923 Kennecott charged its $3.00 dividend to the capital surplus account. For the purposes of this analysis it is charged against earnings in this tabulation.

SERVICE SECTION

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WESTERN ELECTRIC

Preferred Sound Investment

I have 50 shares of Western Electric preferred. What is the outlook for the stock? I regard it as a first rate investment but would like to see it selling at a higher price.—W. S. K., Chicago, Ill.

Western Electric Company's principal business is supplying equipment for American Tel. & Tel. Co.. It also manufactures various types of radio equipment. The company is practically assured at all times of a substantial volume of business and earnings are not adversely affected during periods of industrial depression. In 1923, the preferred dividend was earned five times over. These factors together with the strong financial condition warrant giving the 7% preferred stock a high-grade rating and we consider it a good issue to hold for investment purposes. At present levels of 115, it is selling a few points under preferred issues of similar grade and may in time sell a little higher. Its prospects for appreciation, however, are not especially great. It is a good sound issue worth holding for the income received.

PACKARD MOTOR

Price Cuts

What is the outlook for Packard stock? I have been urged by friends to increase my holdings around current prices. Would you advise this?—E. P. H., Boston, Mass.

Packard Motor Car Co. for the year ended August 31st, 1924, earned $1.54 a share on its stock as compared with $2.54 a share in the previous year. Since the close of the last fiscal year, however, earnings have picked up and in the quarter ended November 30th, 1924, 70 cents per share was earned. Packard is in an unusually strong financial condition, cash and marketable securities November 30th, amounting to 18.1 millions. We consider the outlook for the company fairly satisfactory at this time, but it should be realized that competition in the automobile industry is very keen and a company that is doing well now may not be doing so well six months from now. You should not tie up a large percentage of your funds in speculative issues, and we advise you to be content with your present holdings. Recently the company made cash reductions ranging from $640 to $840 on the single six closed cars and this may lower the margin of profit.

UTAH COPPER

Switch to Kennecott

I have some Utah Copper which cost me 74. As Utah is being steadily absorbed into Kennecott, would you advise me to shift into Kennecott?—M. N. W., Brooklyn, N. Y.

While Utah Copper is a low cost producer and the stock a good long-pull holding we believe it would be good policy to switch into Kennecott. The later company controls Utah and also low cost copper producing properties in Alaska and South America. By making this switch you would have just as good, if not a better stock and would immediately receive a larger return on your investment. Kennecott at present levels of 53 returns 5.6% as against Utah's return of 4.4%.

TOBACCO PRODUCTS

Position of "A" Stock

For three years I have held 100 shares of Tobacco Products A, that cost me 79. I would like your advice regarding the advisability of holding for higher prices, say 100 or better.—K. A. G., Washington, D. C.

Tobacco Products is no longer an operating company its present income being derived from the lease of its properties to the American Tobacco Company and dividends on United Cigar Stores stock of which it is a large holder. Annual rental of American Tobacco Company and cash dividends on United Cigar Stores common stock total 4.9 million against dividend requirements of the $7 class A stock of 3.1 millions. In view of the stability of the United Cigar Stores earnings and the financial strength of the American Tobacco Co. there is no reason to question the continuance of this income and we regard the class "A" stock as a sound investment. We advise holding for higher prices.

MARLAND OIL

Production Increased

Would you continue to hold Marland Oil which cost me 34? Will the company be among those which will benefit the most from the expected improvement in the oil situation? The stock I hold is the one listed on the New York Stock Exchange, but I notice in the Curb Market quotations that there is also a Marland stock. Is it a subsidiary?—E. M. C., New York City.

Marland Oil is a well managed company and owns valuable producing properties, largely located in the Mid-Continent Field. Development work recently has been productive of good results and net production now averages more than 30,000 barrels a day. As the company has a very large reserve acreage it is probable that production can be maintained at a high rate for many years to come. During the recent period of low prices for oil Marland increased inventories and now has about 6 million barrels of high gravity crude in storage. In view of the recent price advances and the outlook for further advances, the company will be in a position to take substantial profits on its inventories

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School for Traders & Investors

Fifty-Second Lesson

Explaining the Stock Market Cycle

Showing the Intimate Relation Between Money Rates and Security Movements

WE believe that the average student of the stock market should broaden his general knowledge of the more important fundamental statistics, as a foundation for his studies of detail with regard to price movements of individual representative securities and speculative stocks. With this idea in view, a further discussion of the subject of money rates and their general relationship to the stock market is in order.

Among the important barometers of business are bank clearings, loans and deposits, and money rates. Aggregate bank clearings of the United States, whether plotted on a weekly, monthly or annual basis, show a gradual increase from year to year for many decades. This increase is a natural reflection of the continuous increase in the volume of the country's business, and is therefore a measure of the country's growth. If the clearings are plotted weekly or monthly, the resulting graph shows an irregular, saw-toothed line, whose average trend is regularly upward. The general inclination of the line indicates the country's business expansion, while the saw-tooth variations, above and below its average inclination, is in synchronism with the alternate waves of business prosperity and depression from cycle to cycle.

A study of these figures has shown that their interpretation is more significant if they are separated by subtracting from the total clearings the clearings outside of New York, thus leaving the clearings originating in New York for separate investigation. If now we plot both sets of figures we find that the clearings outside New York show a comparatively regular saw-tooth line representing the normal business growth of the country, from which many of its more speculative elements have been eliminated. The curve of New York clearings, on the other hand, is more irregular, with saw-teeth much larger. The reason for this is that the business represented by the New York clearings is less conservative, and includes a large percentage of highly speculative transactions, especially those relating to the country's most important stock markets, and many of the leading commodity markets.

Further analysis of these more speculative clearings shows that when they are rising rapidly, during the process of discounting increasing business prosperity, capital is passing rapidly into speculative stocks and bonds. When this process has proceeded to the extent that New York clearings are abnormal as compared to the average trend of the same figures over a period of many years, then an atmosphere of financial stress has developed, business optimism has probably been overworked, fixation of capital has gone beyond safe limits, and business inflation has undermined credit structures.

We now have most of the conditions necessary for a crash, and under such circumstances, when New York Clearing House loans exceed deposits, this ultimate strain needs only to be followed by some sudden unfavorable news to precipitate a break, usually characterized by complete reversal of public confidence and a flood of liquidation of speculative holdings.

With this as a background for a study of the relationship of money rates to the stock market cycle, it will be of interest to trace this relationship through one complete ordinary cycle of the market and general business.

A Typical Example

Suppose we begin with the stock market at the bottom. The average price of a large number of representative stocks has reached its low level. Business depression has been completely discounted, all the bad news is out, and the market is in a sold-out condition. Those traders and important financial interests who understand the situation are accumulating

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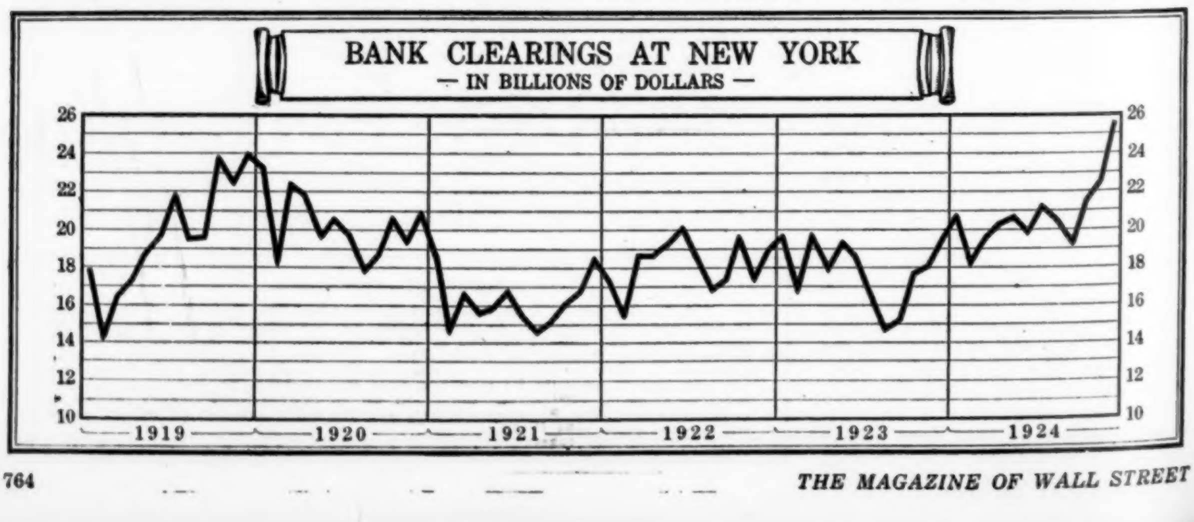

Income Tax Department

Conducted by M. L. SEIDMAN, C.P.A.

Important Things to Know About Your Income Tax

Questions and Answers on Typical Problems

SO many readers' questions have accumulated that it has been deemed advisable to devote this article of the series solely to questions and answers.

Exemption

Q. My brother and I are living together on property that we own jointly. He is completely dependent on me for support. Am I entitled to claim exemption as head of a family? We are both single. He has absolutely no income. I have been paying a tax on a net income of $1,000 or more, as the law requires a single man to do, and only claiming $400 exemption for my brother.—J. M. B.

A. You are entiled to an exemption as the head of a household. Your exemption would therefore be $2,500. What is more, if your brother is under the age of 18, or incapable of self-support because of some mental or physical defect, your exemption would be $2,900.

Head of a Household

Q. I am a widower with no minor children, but I maintain a house, employing a person to do the housework, having her meals with us and going to her own home at night. Am I entitled to an exemption of $2,500 as the head of the house?—W. J.

A. You are not entitled to the exemption as the head of a household. In order to be the head of a household, there must be a person dependent upon you, who lives with you. Both factors are absent in your case.

Residence and Rented Property

Q. I own a two-family house; I live on one floor and receive rent for the other floor. Heretofore I have deducted all the expenses of the house but did not deduct anything for depreciation, thinking that one would offset the other. Would this be correct?

Would cost of painting, shingling, papering and new set of plumbing fixtures to replace worn out ones be deductible in the amount paid for this work, as an expense?—J. H. S.

A. The method you have followed is incorrect. You should prorate all expenses, including depreciation, on the basis that the number of rooms not occupied by you bear to the total number of rooms in the house. Only such portion of the entire expenses are deductible.

The cost of painting, shingling and papering would be deductibe if the expenditures were in the nature of ordinary repairs. The cost of a new set of plumbing fixtures would probably not be regarded as a repair, but as an offset against depreciation previously deducted.

THIS department, which is conducted by Mr. M. L. Seidman, C. P. A., of Seidman & Seidman, one of the best known tax experts in the country, will be published regularly until the March 14 issue. To further the scope of this department, Mr. Seidman will answer through our columns any questions bearing on the subject. Questions should be addressed to the Tax Editor, in care of this publication. All communications must be signed, but names will not be disclosed in the published answers.

Life Insurance Dividend

Q. In the year 1924 I received from my life insurance company in which I carry a life policy, what is called a twenty-year deferred dividend, which dividend is payable to the policyholder after paying premium for a period of twenty years. The dividend is approximately $600. Of course, I continue to pay premiums on the policy for life, as the name implies, receiving after the twenty-year period an annual dividend of whatever sum the company declares, which sum can be applied toward reducing the annual premium. What I would like to know is whether I must report the $600 deferred dividend received from the company with other corporation dividends, or is a deferred life insurance company dividend exempt?—U. P. H.

A. The deferred dividend is not taxable to you if it is really in the nature of an offset against the premium. It is only dividends on paid-up policies that are taxable, and from the description of the policy as you give it, the policy cannot be regarded as paid-up.

Discounts on Purchases

Q. There is some doubt in the writer's mind as to the taxability of discounts (derived from purchase of merchandise) on individual, partnership and corporation reports.—A. Y. A.

A. Discounts on the purchase of merchandise may be regarded in one of two ways—either as a reduction of the cost of the merchandise, or as income. If the discount is regarded as a reduction of the cost of the merchandise, there will be no tax until the merchandise is sold. If the discount is treated as income, it will be taxed in the year in which it is received or accrued. The method by which the books are kept will control how the discount is regarded.

Bonus

Q. My salary for 1924 totalled $1,897.50. At the end of the year I received from the company a bonus of $165, making my total income $2,062.50. One-tenth of my income goes to the Church or for charitable purposes. Last year I paid $204 on an endowment policy which I have had to give up entirely after having run one year. (1) Do I include the gift of $165 in the amount of my total income as a basis for tax return? (2) Can I claim any part of the $204 as a loss? (3) Is it correct to deduct my Church tithe from my total income?—M.

A. (1) If the $165 was paid you as a gift and not for services rendered, it is not taxable to you. If, however, it was as additional compensation, it is taxed to you as such. (2) You cannot deduct any part of the $204 as a loss. (3) The Church tithe

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(*Continued from page* 733)

at the close of 1923 *it reached* 24.2 *millions.*

Plants and equipment December 31, 1919, *were valued at* 5.1 *millions compared with* 8.6 *millions December* 31st, 1923.

By pursuing a conservative dividend policy the company has been able to take care of the greater part of its plant expansion through surplus earnings, and it has also been able to hold capitalization down to a moderate figure. During the past six years which represent the period of its greatest growth, Mack has remained free of funded debt and bank loans.

The common stock, which pays $6 a share, is now selling around 140 *at which price the yield is* 4.4%. *This high level reflects appreciation by investors of the splendid results that have been obtained thus far and the belief that in such capable hands earnings in the future will continue to grow.*—F. L. K.

"Widowed" by the ending of the Great War, Savage Arms, the one-time "war bride," was left practically without an income. Sophisticated Wall Street thought so little of the company's future prospects that it let the common stock go begging under $10.

Today that same stock commands the imposing price of $95; and for its 800% advance stockholders have nothing more nor less than a wide-awake management to thank.

Savage Arms, like E. W. Bliss, Niles-Bement-Pond and Winchester Repeating Arms, became a war bride. That is, the business, established several years before the World War, was tremendously expanded under its stimulus. At the height of war-time activity, Savage was doing a gross business of 25 million dollars annually. But when the fighting stopped and demand for arms and munitions suddenly halted, the company virtually collapsed. Plants, teeming with activity while devoted to the production of war's grim weapons, were turned silent and profitless. Gross income dropped to one million dollars.

A management, less foresighted, less virile, might have been content to accept the verdict of fate. To liquidate the surplus plants and equipment at the best prices obtainable would have been the easiest way out. Thereafter, a barren livelihood might have been eked out of the peace-time manufacture of fire-arms for everyday uses. But this was not in consonance with the character of the guiding spirits behind Savage, of whom Wilfred L. Wright, who rose from the ranks, is the head.

Perceiving the necessity for a drastic policy to revitalize a crippled enterprise, Mr. Wright and his associates sought means to provide the idle plants with work to make them productive of returns once more. It seems a far cry from the serious pursuit of making weapons for the destruction of humanity to the production of machines for lightening the burdens of the human race. Yet that is precisely what Savage Arms did.

Washing and refrigerating machines are now made under the roofs which formerly hid the feverish construction of Lewis guns and other death-dealing devices. Back of this transition are several years of painstaking, careful development of the new products. The original fire-arms department has become one of the most important establishments of its kind in the United States. This division is now secondary, however, to the newer activities. The washing-machine business, placed in commercial operation in April, 1923, was built up until it is now surpassed by probably no more than five competitors. Electric refrigerators are not yet on the market in quantity but returns from these will shortly begin to be realized.

The methods of the management in reviving Savage bear further testimony to its importance as the prime factor in the company's resurrection. Except for the sale of $500,000 preferred stock in 1923, all of which was taken privately, the transformation was accomplished without calling upon stockholders for funds and without recourse to heavy bank loans.

Savage Arms' balance sheet for 1924, in fact, shows the company to be nearly free of floating debt. The first preferred shares have been largely converted into common stock and the 2nd preferred, in keeping with good practice, is gradually being retired out of earnings. Net applicable to the common totaled $8.33 a share last year, compared with deficits of $117,769 in 1920 and $1.23 millions in 1921. *Though the market has already discounted the possibility to a great extent, the final chapter in this feat of management is likely to be written in dividends to common shareholders before very long.*—R. S.

David A. Schulte's Epic

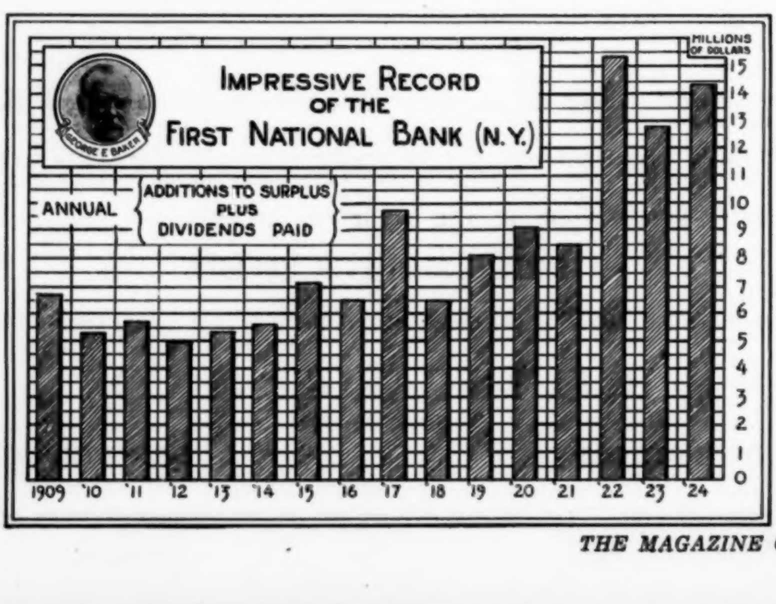
Doubtless many more spectacular companies than the Schulte Retail Stores Corporation might be selected for this symposium, but the thing which appealed to the writer in Schulte Stores was the fact that its growth has been the result of steady application of sound business principles rather than the favoring gusts of economic conditions. While it must be conceded that no concern can make a brilliant and lasting success without the best kind of management, it must also be conceded that many concerns have grown rapidly from the result of special conditions particular to their lines of business as much as the results of good management.

To win extraordinary success in a long-established and highly competitive business is more of an accomplishment, it seems to the writer, than to win success in a new field where competition is unorganized or non-existent.

The directing genius and present acting head of the Schulte Retail Stores is David A. Schulte. From the time years ago when he started in the cigar business in a small way to the present day he has been the helmsman who has steered the destinies of the company which bears his name. No important step has been taken without his sanction and the present highly developed salesmanship of the Schulte chain of cigar stores is the result of his policies.

The present Schulte company is a holding concern which owns all the stock or a controlling interest in a large number of concerns engaged in the company's various branches of business. The chief branch is the retailing of cigars, tobacco and allied products. Back in 1917 Schulte had only 66 stores while today it has 280. Gross business, which in 1917 totaled less than $3,000,000, last year approximated $35,000,000. This is an increase of nearly 1,200% in eight years.

(*Please turn to page* 790)



New York Stock Exchange

RAILS

	Pre-War Period 1909-1913		War Period 1914-1918		Post-War Period 1919-1924		1925		Last Sale	Div'd $ per
	High	Low	High	Low	High	Low	High	Low	Feb. 18	Share
Atchison	125⅛	90¼	111¼	75	120¼	91¼	124	116⅛	122	7
Do. Pfd.	106⅛	98	102⅛	75	96⅜	72	95⅛	92½	93½	5
Atlantic Coast Line	148½	102½	126	79⅛	152¼	77	154	147¼	151½	7
Baltimore & Ohio	122¼	90⅛	96	88¼	84⅞	27⅛	82½	76	79⅜	5
Do. Pfd.	96	77¼	80	48¼	66½	38½	66⅝	65	65⅛	4
Bklyn-Man. Transit	..	..	..	..	41⅞	9¼	45	35⅛	41¼	..
Do Pfd.	..	..	..	..	75¼	31⅜	80⅛	72⅝	†78	6
Canadian Pacific	283	165	220⅛	126	170⅞	101	152⅜	147¾	150	10
Chesapeake & Ohio	92	51⅛	71	35⅛	98¼	46	98¾	92	94	4
Do. Pfd.	..	..	..	..	109⅛	96	108½	106¼	†107½	6½
C. M. & St. Paul	165⅛	96⅛	107⅛	35	52¾	10⅞	16⅜	12⅛	14	..
Do. Pfd.	181	130½	143	62½	76	18¼	28½	20¼	22⅛	..
Chic. and Northwestern	198½	123	136⅞	85	105	45⅞	75⅜	67	68¾	4
Chicago, R. I. & Pacific	..	..	45¼	16	50	19⅛	49⅛	44¼	47½	..
Do. 7% Pfd.	..	..	94¾	44	105	64	97½	92	96¾	7
Do. 6% Pfd.	..	..	80	35¼	93¾	54	87⅝	83	87	6
Delaware & Hudson	200	147½	159½	87	141½	83¼	145½	136½	141⅞	9
Delaware, Lack. & W.	340	192½	242	160	260½	93	144⅝	137¼	137¼	6
Erie	61⅛	33½	59½	18¼	35⅜	7	33¼	30⅞	32	..
Do. 1st Pfd.	49¾	26¼	54¼	15⅛	49⅛	11⅛	46⅞	39	41	..
Do. 2nd Pfd.	39⅛	19½	45⅜	13⅛	46¼	7⅛	43¾	39⅝	39⅝	..
Great Northern Pfd.	157⅞	115½	134¾	79¼	100⅝	50⅝	71⅜	67⅝	68½	5
Hudson & Manhattan	..	..	..	..	29⅛	20⅝	27⅜	24⅛	24¼	..
Illinois Central	162⅛	102¾	115	85¼	117⅞	80⅞	119⅝	113¾	114¾	7
Interboro Rap. Transit	..	..	..	..	39¼	9½	34½	28¼	31	..
Kansas City Southern	50¼	21⅛	35⅛	13½	41¾	13	39⅜	33	36¼	..
Do. Pfd.	75½	56	65½	40	59½	40	58¼	57	57¾	4
Lehigh Valley	121¼	62½	87⅛	50⅛	85	39½	82⅝	74⅝	77½	3½
Louisville & Nashville	170	121	141⅞	103	155	84¼	112⅞	106	107⅝	6
Mo. Kansas & Texas	*51⅛	*17½	*24	*3⅛	34⅜	*¼	38⅝	28¼	37¼	..
Do. Pfd.	*78¼	*46	*60	*6½	75¼	*2	87¾	74¾	84⅝	5
Missouri Pacific	*77½	*21½	38½	19⅞	38⅞	8¼	41	30⅜	39½	..
Do. Pfd.	..	..	64⅞	37½	74	22¼	83¼	72½	80½	..
N. Y. Central	147¼	90⅛	114¼	62½	119¾	64⅛	124¾	117½	122	7
N. Y., Chi. & St. Louis	109¾	90	90¾	55	128	23¼	134	124	128½	6
N. Y., N. H. & Hartf'd	174¾	65⅝	89	21½	40⅞	9⅝	33¼	29½	32¾	..
N. Y., Ontario & W.	55⅜	25⅛	35	17	30½	14¼	27⅛	22½	23½	1
Norfolk & Western	119¼	84¼	147⅛	92⅜	133¼	84¼	132⅝	125⅜	128⅜	‡7
Northern Pacific	159½	101¾	118⅞	75	99⅞	47⅞	71½	68	69	5
Pennsylvania	75⅛	53	61½	40¼	50	32¼	48⅞	47	47	3
Pere Marquette	*36½	*15	38⅛	9½	73	12⅛	70¾	67	69	4
Pittsburgh & W. Va.	..	..	40⅜	17¼	94	21⅛	73⅞	67⅞	68½	..
Reading	89⅛	59	115½	60⅛	108	51⅞	82¼	74¾	77¼	4
Do. 1st Pfd.	46¼	41¼	46	34	61	32⅞	39¾	36¾	37¼	2
Do. 2nd Pfd.	58¾	42	52	33¼	65½	33⅛	44	40	40	2
St. Louis-San Fran.	*74	*13	50½	21	65	10¼	70⅜	57½	67⅝	5
St. Louis Southwestern	40⅜	18½	32⅛	11	55⅞	10⅞	53⅜	47	50⅛	..
Seaboard Air Line	27½	13⅛	22⅜	7	24⅛	2⅛	24⅞	20⅜	23	..
Do. Pfd.	56½	23½	58	15⅛	45½	3	43⅞	37⅜	40⅝	..
Southern Pacific	139⅛	83	110	75¾	118⅛	67½	103⅜	102	103½	6
Southern Railway	34	18	36¼	12½	79¼	24¾	92	77⅝	90⅛	5
Do. Pfd.	86⅞	43	85¼	42	85	42	86¾	83	85	5
Texas & Pacific	40½	10¼	29½	6½	70½	14	55½	43¼	55⅜	..
Union Pacific	219	137¼	164⅜	101¼	154¾	110	153¼	147⅝	151½	10
Do. Pfd.	118½	79¾	86	69	80	61¼	75	73⅝	75	4
Wabash	*27⅞	*2	17½	7	24⅜	6	25⅜	20⅝	24	..
Do. Pfd. A	*61¾	*6⅛	60½	30⅞	60⅜	17	65⅝	55¾	63¾	..
Do. Pfd. B	..	..	32⅞	18	42⅜	12¼	45½	38½	43½	..
Western Maryland	*56	*40	23	9¼	17⅛	8	17⅜	14¼	15	..
Do. 2nd Pfd.	*88¼	*53½	*58	20	30½	11	26¼	21¾	22⅜	..
Western Pacific	..	..	25½	11	40	12	39½	32½	35⅜	..
Do. Pfd.	..	..	64	35	86½	51½	94	84½	91½	6
Wheeling & Lake Erie	*12⅞	*2½	27⅜	8	18¼	6	16½	13¼	14½	..
Do. Pfd.	..	..	50⅝	16⅜	32½	9¼	31⅝	26⅝	28½	..

INDUSTRIALS

	High	Low	High	Low	High	Low	High	Low	Last Sale	Div'd
Adams Express	270	90	154½	42	93½	22	103¼	91	†97	6
Ajax Rubber	..	..	89⅛	45½	113	4¼	14	11	11¼	..
Allied Chem. & Dye	..	..	..	..	91¼	34	90	81⅝	85	4
Do. Pfd.	..	..	..	..	118⅜	83	118¾	117	118⅜	7
Allis-Chalmers Mfg.	10	7⅛	49⅛	6	73⅛	26½	82¾	71½	75	4
Do. Pfd.	43	40	92	32½	104⅞	67½	107	103¼	†104	7
Am. Agric. Chem.	63⅛	33½	106	47¾	113¾	7⅛	21⅞	13⅝	20⅜	..
Do. Pfd.	105	90	103½	89⅛	103	18¼	55⅞	40¼	53	..
Am. Beet Sugar	77	19¼	108½	19	103¾	24½	43	39	39¼	4
Am. Bosch Magneto	..	..	..	..	143⅞	22¼	54½	33	39	..
Am. Can	47⅜	6⅞	68½	19¼	163½	21¾	177¾	158⅛	171½	‡5
Do. Pfd.	129¼	98	114½	80	119	72	118⅞	115	†118½	7
Am. Car & Foundry	76½	36½	98	40	201	153½	207	192	201	12
Do. Pfd.	124¾	107½	119½	100	126⅛	105¾	125½	121½	125½	7
Am. Express	300	94¾	140½	77½	175	76	160	147½	153	6
Am. Hide & Leather	10	3	22⅛	2½	43⅛	5	14	11⅜	11¾	..
Do. Pfd.	51⅞	15⅛	94⅞	10	142⅜	29¾	75⅞	67	69	..
Am. Ice	..	..	49	8⅞	122	37	93½	85	89½	7
Am. International	..	..	62¾	12	132¼	17	41	33	36	..
Am. Linseed Pfd.	47¾	20	92	24	113	4¼	65	53	65	..
Am. Locomotive	74¾	19	98¼	46⅛	136¾	58	122⅞	104½	121⅜	6
Do. Pfd.	122	75	109	93	122¼	96½	124	119¾	123	7
Am. Metal	..	..	..	..	55⅞	38¾	53⅜	40⅝	50	3
Am. Radiator	*500	*200	*445	*235	*345	64	105	89⅞	†99½	4
Am. Safety Razor	..	..	..	..	40⅛	*3½	40½	36⅞	40⅜	..
Am. Ship & Commerce	..	..	..	..	47½	4⅜	13	11⅛	11⅛	..
Am. Smelt. & Ref.	105½	56⅛	123¾	50¼	100⅜	29¼	106⅝	95½	98½	6
Do. Pfd.	116¾	98¼	118⅛	97	109⅜	63¼	110⅜	105½	108	7
Am. Steel Foundries	74½	24⅛	95	44	50	18	49½	40	49⅛	3
)Do. Pfd.	..	..	..	..	109¼	78	110½	108	†109½	7
Am. Sugar Refining	136⅛	99⅞	126½	89⅛	148⅜	36	68	47⅜	63⅜	..
Do. Pfd.	133½	110	123½	106	119	67⅛	99⅛	91	99¼	7
Am. Sumatra Tobacco	..	..	145¾	15	120½	6⅛	24½	10⅛	19½	..
Do. Pfd.	..	..	103	75	105	22½	56	37½	48¾	..
Am. Tel. & Tel.	153⅜	101	134½	90⅜	134¾	92⅛	136⅜	130⅜	133⅜	9

Price Range of Active Stocks

INDUSTRIALS—*Continued*

	Pre-War Period 1909-1913		War Period 1914-1918		Post-War Period 1919-1924		1925		Last Sale Feb. 18	Div'd $ per Share
	High	Low	High	Low	High	Low	High	Low		
Am. Tobacco	*530	*200	*256	*123	*314½	82⅛	91⅛	85⅛	87⅛	7
Do. Com. B	..	..	..	..	*210	81⅛	89⅞	84½	86	7
Am. Water Wks & Elec.	..	..	..	..	*144	*4	39⅞	34⅜	36¾	30c
Am. Woolen	40⅜	15	60⅞	12	169½	51¼	64¾	48⅜	50	..
Do. Pfd.	107¾	74	102	72½	111⅞	88½	96⅛	85⅛	87⅛	7
Anaconda Copper	54⅜	27½	105⅜	24¼	77⅞	28½	48	42½	42½	3
Associated Dry Goods	..	..	28	10	140½	48	173½	128	172¾	5
Do. 1st Pfd.	..	..	75	50½	94	45⅞	99	94	†99	6
Do. 2nd Pfd.	..	..	49½	35	102⅝	38	105	101	†105	7
Associated Oil	..	..	*78¾	*52½	*142	24⅞	39½	33	37	1½
Atl. Gulf & W. Indies	13	5	147¾	4½	192⅝	9¼	29⅜	20	26¾	..
Do. Pfd.	32	10	74¾	9⅞	76½	6¼	42⅞	31	41⅜	..
Atlantic Refining	..	..	..	..	*1575	78½	117½	95⅛	112⅞	..
Austin Nichols	..	..	..	..	40⅜	8	32½	26¼	26¾	..
Do. Pfd.	..	..	..	..	91	50⅝	90	87⅜	†88	7
Baldwin Locomotive	60¾	36½	154½	26⅝	156⅛	62¾	137⅞	127	136	7
Do. Pfd.	107½	100¼	114	90	118	92	116⅝	115	†114½	7
Bethlehem Steel	*51⅜	*18¾	155½	59¾	112	37¾	53½	45⅛	47	..
Do. 7% Pfd.	80	47	186	68	108	87	102	95½	100⅝	7
Do. 8% Pfd.	..	..	110½	92½	116⅝	90	116½	110½	115⅜	8
Bklyn Edison Electric	134	123	131	87	124⅝	82	133	120⅝	126⅞	8
Brooklyn Union Gas	164½	118	138¾	78	128	41	83⅞	76½	77	4
Burns Brothers	45	41	161½	50	147	76	103⅜	92½	97	10
Do. B	..	..	..	..	53	19⅝	23⅛	18⅛	21	2
Butte & Superior	..	..	105¼	12¼	37⅞	8	24¼	18⅛	19	..
California Packing	..	..	50	30	106¼	48¼	106¼	100½	106⅞	6
California Petroleum	72½	16	42⅜	8	71⅞	15¼	30	23⅞	27⅜	1¾
Do. Pfd.	95½	45	81	29½	110½	63	108¼	100	105	7
Central Leather	51¾	16½	123	25⅞	116½	9⅝	21¾	18½	19	..
Do. Pfd.	111	80	117½	94⅞	114	28⅛	66	55	61¼	..
Cerro de Pasco Copper	..	..	55	25	67½	23	55½	52⅛	52½	4
Chandler Motor	..	..	109⅞	56	141¼	26⅞	36⅞	28½	31⅛	3
Chile Copper	..	..	39¼	11¼	38⅛	7⅛	37⅝	34⅝	35¾	2½
Chino Copper	50⅜	6	74	31⅜	50⅞	14¼	28⅜	24½	25⅛	..
Coca Cola	..	..	..	..	83⅛	18	92¼	80	90	7
Colorado Fuel & Iron	53	22½	66½	20½	56	20	48¼	41	43⅝	..
Columbia Gas & Elec.	..	..	54⅛	14¼	114⅞	30¼	49⅞	45¾	46⅞	2.60
Congoleum-Nairn	..	..	..	..	*184⅜	32⅛	43½	38⅝	40	3
Consolidated Cigar	..	..	..	..	80	11⅛	32⅝	26½	30¼	..
Consolidated Gas	*165¼	*114½	*150½	*112½	*145¾	56⅛	78⅞	74⅜	75⅝	5
Continental Can	..	..	*127	*37½	*131¼	*34⅜	70½	62½	63⅜	4
Corn Products Refining	26½	7⅜	50½	7	160½	31½	41½	38⅛	39	2
Do. Pfd.	98½	61	113½	58⅛	123¼	96	123	118⅛	†118½	7
Cosden Co.	..	..	..	..	62¼	22½	35⅜	26⅜	32	..
Crucible Steel	19⅜	6½	109⅞	12¼	278½	48	79¼	68½	72	4
Cuba Cane Sugar	..	..	76⅜	24⅞	59⅛	5⅝	14⅝	12¼	13⅛	..
Do. Pfd.	..	..	100½	77¼	87⅞	13½	62¼	56⅛	60	..
Cuban-American Sugar	*58	33	*273	*38	*605	10⅞	32⅞	29½	31½	3
Cuyamel Fruit	..	..	..	..	74½	45⅛	55⅛	50	51¾	4
Davison Chemical	..	..	..	..	81¼	20⅛	49¼	42⅜	44⅛	..
Dupont de Nemours	..	..	..	..	169¼	105	150⅜	134¼	147½	10
Eastman Kodak	* No Sales		*605	*605	*690	70	118	110⅛	113¾	25
Electric Storage Battery	*64¼	*42	*78	*42¾	*153	37	70¾	62⅛	64	4
Endicott-Johnson	..	..	..	..	150	44	72	67	68¾	5
Do. Pfd.	..	..	..	..	119	84	116¼	112½	†116	7
Famous Players-Lasky	..	..	..	..	123	40	100⅝	90¾	93	8
Do. Pfd.	..	..	..	..	108½	66	110	104	†105	8
Fisher Body	..	..	43	25	240	75	68⅜	60¼	64¼	5
Fisk Rubber	..	..	..	..	55	5½	13⅝	11	12½	..
Do. 1st Pfd.	..	..	..	..	86	38⅛	85½	75½	82	1
Fleischmann Co.	..	..	..	..	90¼	37⅛	86½	78½	78¾	12
Foundation Co.	..	..	..	..	94⅛	58½	109¼	89½	106	8
Freeport-Texas	..	..	70½	25¾	64⅛	7½	11⅛	9¾	10	..
General Asphalt	42⅞	15½	39⅜	14¼	160	23	63¼	53⅛	56½	..
General Cigar	..	..	..	..	98⅝	47	98½	94¼	98¾	8
General Electric	188½	129¾	187¼	118	322	109½	320	231	232	8
General Motors	*51¾	*25	*850	*74½	66⅞	*8⅛	79	64⅛	75¾	6
Do. 7% Pfd.	..	..	..	..	103½	95⅛	108⅞	102	108	7
General Petroleum	..	..	..	..	45	38⅜	55¼	42	55¾	2
Goodrich (B. F.) Co.	86½	15½	80¼	19⅜	93⅜	17	49¼	36¾	45½	..
Do. Pfd.	109¾	73⅜	116¾	79⅞	109½	62½	96	92	†95	7
Goodyear T. & R. Pfd.	..	..	..	..	90⅝	35	98⅞	86⅛	97	..
Do. prior Pfd.	..	..	..	..	108⅛	88	107	103¼	106½	8
Granby Consolidated	78¼	26	120	88	80	12	21¼	18	19¾	..
Great Northern Ore Ctfs.	88½	25½	50⅜	22½	52¾	24⅞	40½	35⅜	37	4
Gulf States Steel	..	..	137	58⅜	104⅝	25	94⅞	84	91⅛	5
Hayes Wheel	..	..	..	..	52⅞	31	43¼	36½	36¾	3
Houston Oil	25½	8¼	86	10	116½	40½	85	77½	79¼	..
Hudson Motor Car	..	..	..	..	36	19½	41¾	33¾	39¾	3
Hupp Motor Car	..	..	11¾	2½	29½	4⅛	19⅝	14½	15¾	1
Inland Steel	..	..	..	..	48¾	31⅛	50	45½	46¾	2½
Inspiration Copper	21⅜	13⅞	74¾	14¼	68⅞	22⅛	32¾	26½	28½	..
Interboro Rapid Transit	..	..	..	..	39⅛	9½	34½	28⅛	31	..
Inter. Business Mach.	..	..	52⅓	24	118⅞	28¾	125	112	124	8
Inter. Combustion Eng.	..	..	..	..	39	19⅝	38¼	31¾	35¾	2
Inter. Harvester	..	..	121	104	149⅝	66¼	110⅞	104	106	5
Inter. Merctl. Marine	9	2⅛	50⅜	⅜	67¼	4⅞	14⅞	11½	12	..
Do. Pfd.	27⅜	12½	125⅝	8	128½	18½	52¾	43¼	46½	..
Inter. Nickel	*227¼	*135	57½	24½	33⅞	10⅛	28⅜	25⅛	26½	..
Inter. Paper	19¾	6½	75½	9½	91¾	27⅞	62	54	56¼	..
Kelly-Springfield Tire	..	..	85¼	36⅞	164	9¾	17¾	14⅝	15½	..
Do. 8% Pfd.	..	..	101	72	110¼	37	51	41⅜	42¾	..
Kennecott Copper	..	..	64¾	25	57¾	14⅛	57¾	52½	54⅜	3
Kinney (G. R.) Co.	..	..	..	..	86¼	35½	87	75	†75	..
Lima Locomotive	..	..	..	..	74⅞	52	74⅜	65	68½	4
Loew's, Inc.	..	..	..	..	38⅜	10	25	22	22⅜	2
Loft, Inc.	..	..	..	..	28	5⅛	7¾	6	7⅜	..
Lorillard (P.) Co.	*215½	*150	*239⅞	*144½	*245	33⅜	36⅛	30¼	34½	3
Mack Trucks	..	..	..	..	170	25½	148¾	117	138⅜	6
Magma Copper	..	..	..	..	45⅜	26⅛	44⅛	39	40⅝	..
Mallinson & Co.	..	..	..	..	45	8	37½	27	30	..
Maracaibo Oil Explor.	..	..	..	..	37½	16	35½	27½	29⅛	..
Marland Oil	..	..	..	..	59⅝	12¾	46⅛	38⅛	42½	..
Maxwell Motors, Class A	..	..	..	..	84⅛	36	83¾	74⅝	82	..
Do. Class B	..	..	..	..	39¼	8	44⅞	33¼	42⅜	..

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New York Stock Exchange
Price Range of Active Stocks

INDUSTRIALS—*Continued*

	Pre-War Period 1909-1913 High	Low	War Period 1914-1918 High	Low	Post-War Period 1919-1924 High	Low	—1925— High	Low	Last Sale. Feb. 18	Div'd $ per Share
May Department Stores	*88	*65	*97½	*35	*174¼	*60	111¼	103½	105	5
Mexican Seaboard Oil	..	..	..	..	24½	5¼	22½	14⅛	16	..
Miami Copper	30¼	12¾	49¾	16½	32¾	14½	24¾	21⅜	21⅛	2
Montgomery Ward	..	..	..	..	48½	12	55⅝	46⅜	47¾	..
National Biscuit	*161	*96½	*139	*79⅞	*270	35⅛	75	66	66⅜	3
National Dairy Prod.	..	..	..	..	44½	30⅛	48⅜	42	45¾	3
National Enam. & Stamp.	30¼	9	84⅛	9	89½	18½	36⅞	33	33⅜	..
National Lead	91	42½	74⅜	44	169¼	63½	166⅞	156	162	8
N. Y. Air Brake	98	45	136	55⅞	145¾	26⅛	56½	49½	51⅛	4
Do. Class A	..	..	..	..	57	45⅛	57½	54½	55¾	4
N. Y. Dock	40¼	8	27	9¼	70¾	15¼	30⅞	25¾	†27½	..
North American	*87⅞	*60	*81	*38⅞	*119½	17½	48⅞	41⅜	47⅛	3.40
Do. Pfd.	..	..	..	..	50¼	31⅞	48	46⅜	48	3
Pacific Oil	..	..	..	..	69⅜	27½	65¼	53¾	61⅛	2
Packard Motor Car	..	..	..	..	21	9⅞	17⅜	15	17⅛	‡1.20
Pan.-Am. Pet. & Trans.	..	..	70¾	35	140¼	38⅛	75⅞	64	73	4
Do. Class B	..	..	..	..	111¾	34⅛	76	63⅜	73¼	4
Philadelphia Co.	59¼	37	48⅜	21½	57½	26½	57½	52½	53¾	4
Phila. & Reading C. & I.	..	..	..	..	54¼	34½	52½	46⅛	47⅛	..
Phillips Petroleum	..	..	..	..	69⅜	16	46⅜	36⅜	43¼	2
Pierce-Arrow	..	..	65	25	99	6⅛	15	11⅞	12⅛	..
Do. Pfd.	..	..	109	88	111	13½	51¾	45½	48⅜	..
Pittsburgh Coal	*39⅜	*10	58¾	37½	74⅜	45	64½	48⅜	50¼	..
Postum Cereal	..	..	..	..	134	47	107	93¾	106⅜	4
Pressed Steel Car	56	18½	88¼	17¼	118¾	39	69	56½	57¾	..
Do. Pfd.	112	88½	109⅜	69	106	67	92½	85	†85	7
Pub. Serv. N. J.	..	..	..	..	70	39	72	67½	69	5
Pullman Company	200	149	177	106½	151¾	87¼	151¾	135¾	139	8
Punta Alegre Sugar	..	..	51	29	120	24¾	47¼	39½	42½	5
Pure Oil	..	..	143⅞	31⅞	61⅞	16¼	33¾	29⅛	31⅛	1½
Radio. Corp. of Am.	..	..	..	..	66⅜	25⅞	77⅞	58⅛	60⅞	..
Railway Steel Spring	54½	22¼	78½	19	137½	67	141¾	126¼	126½	8
Do. Pfd.	113⅛	90¼	105½	75	121½	92½	120	117	†118	7
Ray Consol. Copper	27½	7½	37	15	27½	9⅞	17⅜	14⅜	16	..
Replogle Steel	..	..	..	..	93½	7¼	23¼	16	18	..
Republic Iron & Steel	49½	15¾	96	18	145	40⅛	64¾	50½	53	..
Do. Pfd.	111¼	64½	112⅜	72	106¾	74	95	91	93	7
Royal Dutch N. Y.	..	..	86	56	123⅜	40⅜	57⅛	51⅛	55⅛	4.42½
Savage Arms	..	..	119¾	39⅞	94½	8⅞	96	83	93	..
Schulte Retail Stores	..	..	..	..	129¼	88	116⅝	110	112½	§8
Sears, Roebuck & Co.	124¾	101	233	120	243	54¼	172⅞	148	157	6
Shell Trans. & Trading	..	..	..	..	90¼	29⅛	45⅛	41	43⅛	2.06
Shell Union Oil	..	..	..	..	22½	12⅛	28⅜	22½	26⅜	1.40
Simmons Company	..	..	..	..	37	22	38½	32⅜	35¼	2
Simms Petroleum	..	..	..	..	24	6½	26¾	20¼	21⅜	.50
Sinclair Consol. Oil	..	..	67½	25¼	64¼	15	24⅜	17	23⅜	..
Skelly Oil	..	..	..	..	35	8⅜	30½	24½	28⅜	..
Sloss-Sh. Steel & Iron	94¾	23	93¾	19½	89	32⅛	97	82	91	6
Standard Oil of Calif.	..	..	..	..	135	47½	67¼	61⅛	63¼	2
Standard Oil N. J.	*445	*323	*800	*355	*212	30⅞	47½	40¾	44⅜	1
Do. Pfd.	..	..	..	..	119⅛	100⅛	118⅛	116⅜	†118	7
Stewart-Warner Speed.	..	..	*100½	*43	*181	21	77⅞	67½	71⅜	5
Stromberg Carburetor	..	..	45¼	21	118¾	22⅛	79¾	67	†67½	6
Studebaker Company	49½	15¾	195	20	151	30½	46¾	41⅛	44	4
Do. Pfd.	98⅛	64½	119½	70	118¾	76	114¾	114	†115	7
Tennessee Cop. & Chem.	..	..	21	11	17¼	6¼	9⅜	8⅛	8⅞	..
Texas Co.	144	74½	243	112	57¾	29	49	42¾	47⅜	3
Texas Gulf Sulphur	..	..	..	..	110	32⅛	109¼	97½	101⅜	7
Tex. & Pac. Coal & Oil.	..	..	..	..	195	5½	23⅜	11½	19⅜	..
Tide Water Oil	..	..	225	165	275	94	149	139	144	4
Timken Roller Bearing	..	..	..	..	45	28½	44½	38½	42½	3
Tobacco Products	145	100	82¾	25	115	45	77⅜	70	76¾	6
Do. Class A	..	..	..	..	93½	76½	98⅜	93⅛	96½	7
Transcontinental Oil	..	..	..	..	62⅜	1¼	5½	3⅞	4⅜	..
Union Oil of Calif.	..	..	..	..	39	35	43⅜	37¼	41⅜	1.80
United Cigar Stores	..	..	*127⅞	*8⅜	*255	42½	68	60¼	67⅛	‡2
United Drug	..	..	90⅞	64	175⅛	46¼	120¾	110⅞	116	6
Do. 1st Pfd.	..	..	54	46	58⅛	36⅛	54½	52	†52	3½
United Fruit	208½	126½	173	105	224⅞	95¾	231	207	214	10
United Ry. Investment	49	16	27½	4¼	41	6	26¾	19	†19½	..
Do. Pfd.	77	30	49¼	10½	64⅞	14	61	53½	†53½	..
U. S. Cast I. Pipe & F.	32	9¼	31⅞	7¾	169⅝	10½	250	160	225	..
Do. Pfd.	84	40	67½	30	104¼	38	112	103½	110½	7
U. S. Indus. Alcohol	57¼	24	171½	15	167	35⅜	88	77⅝	80	..
U. S. Realty & Imp.	87	49¾	63⅜	8	143½	17¼	131¾	120	124⅜	8
Do. Pfd.	..	..	..	..	143	97½	130½	122¼	†123	7
U. S. Rubber	59½	27	80½	44	143¾	22½	44⅜	39	42½	..
Do. 1st Pfd.	123½	98	115⅛	91	119½	66½	97⅞	94¼	95½	8
U. S. Smelt., Ref. & Min.	59	30⅛	81½	20	78¼	18⅛	39	33	33	..
U. S. Steel	94⅞	41¼	136⅝	38	121	70¼	129⅝	119¾	124¾	‡5
Do. Pfd.	131	102½	123	102	123½	104	126⅝	122¼	122⅜	7
Utah Copper	67½	38	130	48½	97½	41⅛	92	86	90	4
Utah Securities	..	..	27⅜	9⅛	46	7	53	42	44⅞	..
Vanadium Corp.	..	..	..	..	97	19⅛	31¾	26⅛	27⅞	..
Western Union	86¼	56	105½	53⅜	121¼	76	124⅝	116¼	122	7
Westinghouse Air Brake	141	132½	143	95	124½	76	114	103	104	6
Westinghouse E. & M.	45	24¾	74⅜	32	71⅛	38⅞	84	69⅝	72	4
White Eagle Oil	..	..	..	..	34	20	31¾	28	29⅝	2
White Motors	..	..	60	30	86	29¼	76	61⅞	64	4
Willys-Overland	*75	*50	*325	15	40¼	4½	10⅞	9⅛	10	..
Do. Pfd.	..	..	100	69	98¼	23	80	72¼	76⅛	..
Wilson & Co.	..	..	84¼	42	104⅞	4⅛	8¾	6⅜	7⅜	..
Woolworth (F. W.) Co.	*177⅞	*76½	*151	*81½	*345	72½	125⅞	112⅛	116	3
Worthington Pump	..	..	69	23½	117	19⅞	79¾	62⅛	69⅜	..
Do. Pfd. A	..	..	100	85⅞	98½	65	88	85	†85¾	7
Do. Pfd. B	..	..	78⅜	50	81	53½	76½	70¾	†73	6
Youngstown Sh. & Tube	..	..	..	..	80	59¾	76½	70	73½	4

* Old stock. † Bid price given where no sales made. ‡ Not including extras. § Payable in stock. ¶ Partly stock.

ANSWERS TO INQUIRIES

(Continued from page 763)

this year. At the present time the oil situation appears sound as production is on the decline and demand promises to be heavy. Of course, a stock such as this is speculative as the situation may change due to development of some new pool with big flush production that would again cause an oversupply of oil with resultant low prices. However, we consider this stock one of the most attractive of the oil group and if you can afford to assume a certain degree of risk we see no reason why you should not continue to hold it at this time. Marland Oil of Mexico is traded in on the New York Curb market. This company is controlled by Marland Oil through ownership of approximately three-quarters of its stock. It owns oil and gas concessions on approximately 15 million acres in Sonora, Mex., and in lower California. Also through a subsidiary 300,000 acres of leases in the Panuco district of Mexico.

NATIONAL CLOAK & SUIT

Earned $11.28 a Share

I hold 100 shares of National Cloak & Suit which shows me a substantial profit, as I bought it early in 1922. Now that the company is earning at the rate of $11 a share would you advise me to hold it with the idea of eventually getting a steady income out of it or do you think it would be best to take my market profit.—F. A. B., Newark, N. J.

National Cloak & Suit in 1924 earned $11.28 a share on the common stock which compares with $14 a share in 1923. While this represents a decline in earnings it is not a large one and comparison is with the most successful year in the history of the company. National Cloak & Suit does considerable business in the rural districts and the improved financial condition of the farmers, the result of higher grain prices, is now being reflected in larger sales. At the close of last year the company was in better financial condition than at any time in the past five years and should see its way clear to resume dividends on the common stock in the near future. We consider the stock to have good long-pull possibilities.

UNITED STATES RUBBER

Bank Loans Reduced

What is your opinion regarding United States Rubber? I have held my stock for several years and each spring I have become convinced that conditions were such that the common stock would show a big market advance. It looks that way to me again. Do you think I am wrong?—M. M. K., Washington, D. C.

In the past few years United States Rubber has had many difficulties to contend with, particularly in the tire-producing end of its business. Recently, however, tire manufacturers generally have been able to do better and U. S. Rubber is receiving its share

of the prosperity. Moreover, weather conditions this winter have been much more favorable for the sale of rubber footwear. In 1924, it is estimated that about $3 a share was earned on the common stock but since the close of the year earnings have been at a considerably higher rate. The company has been able to reduce bank loans to around 30 millions, which represents a decline of more than 11 millions since June 30th last. Many economies have been effected in administration and operating cost, enabling the company to show a larger margin of profits. While it may be some time before dividends are resumed on the common stock on account of the bank loans still existing, we consider it to have good speculative possibilities at this time.

GULF STATES STEEL

Operates in the South

In 1922 I bought 50 shares of Gulf States Steel at 83. Would you advise me to hold the stock for a continuance of the present advance?—S. A. G., Milwaukee, Wis.

Gulf States Steel plants are located in the South and improved industrial conditions in that section of the country have greatly benefited the company. Formerly it had to ship a considerable percentage of its products North. In 1924 the company earned $7.48 a share on the common stock which is satisfactory in view of the irregular conditions existing in the steel industry in that year. In 1923, earnings were equal to $12.79 a share. Gulf States is conservatively capitalized, being one of the few steel companies without funded debt. Financial condition is satisfactory and under favorable conditions in the steel industry higher dividends could be paid. The stock dividend of 11½% just declared by directors is a reflection of the improved situation now existing in the steel industry. The outlook for the company's business at this time appears satisfactory. In the past several months the stock has enjoyed a substantial advance and may be subject to reaction at this time. However, if you are willing to disregard current fluctuations we believe you would be justified in retaining the stock for higher levels.

NEW HAVEN

European Loan Refunded

Is the fact that New Haven has floated a $23,000,000 loan to pay off the European loan to be regarded favorably by stockholders? I hold New Haven stock which cost my father more than $100 a share and, of course, I intend to hold to it but I find myself puzzled in endeavoring to figure what the future may have in store for New Haven.—M. C. W., Boston, Mass.

New Haven recently announced that it had received sufficient subscriptions at par to dispose of a 23 million 6% gold bond issue which will enable the company to pay off the European loan at maturity, April st. That the road was able to sell so large an issue without having it underwritten by bankers demonstrates that its credit is

improving. In 1924, for the first time in several years, New Haven was able to show fixed charges earned with a margin to spare. It appears probable that New Haven has seen its greatest difficulties and will show steady improvement from now on. With the European loan refunded there is no other maturity of consequence until 1940, except advances made by the Government while the property was under Federal control and which mature between 1930 and 1935. At the close of the year, New Haven was free of bank loans and current assets were substantially in excess of current liabilities. The stock must still be regarded as highly speculative, for while earning power has improved it is still low, only $1.50 a share having been earned on the stock in 1924. As a speculation, however, it has considerable possibilities at this time. There is a broad movement toward consolidating the roads of the country into large systems and New Haven may possibly enter into some consolidation which would prove beneficial to shareholders. In view of the long time you have held the stock without dividends we would not consider it advisable to dispose of it now in view of the improvement in the situation.

WORTHINGTON PUMP

Important New Products

I recently purchased 20 shares of Worthington Pump at 64. Would you take a small trading profit or would you suggest that I hold this stock indefinitely?—H. P. S., Washington, D. C.

Worthington Pump has recently developed two important new products, one being a double-action Diesel engine which several experts have declared the best in the field and a locomotive water feed system that is generally being adopted by the railroads of the country. It is probable that these new products will bring about an important increase in earning power and, as the company is in strong financial condition, improved earnings should quickly result in dividend payments on the common shares. It is never well to take the position that you are going to hold a stock indefinitely for conditions constantly change and a stock that may appear very desirable this year may not be so desirable a year from now. However, if you are in a position to assume a certain degree of risk we deem it advisable for you to retain Worthington Pump in view of the money-making possibilities of its new products.

NEED HELP IN SOLVING YOUR INSURANCE PROBLEMS?

Consult our Insurance Department.

EFFECTS ON AMERICA OF STERLING AT PAR

(*Continued from page 729*)

abroad as evidenced in rising rates for foreign currencies. These latent foreign gold reserves in the form of short-term foreign credits and foreign bills discounted may be estimated at from $500,000,000 to $750,000,000.

"The question has been asked, how the bringing back of the pound sterling to its pre-war par of exchange will affect American trade with Great Britain. According to statistics the value of our exports to the United Kingdom for the year ending June 30, 1914 was $594,271,000 and the value of our imports from the United Kingdom $293,661,000. In 1924 our exports to the United Kingdom were $982,034,000 and our imports from the United Kingdom $366,476,000. Theoretically, a rise in sterling would facilitate our sales to and handicap our purchases from England. Independent of the exchange—fluctuations in which, in our dealings with Great Britain, never have been a great factor because at all times, ever since the suspension of gold payments by Great Britain, there has been in the United States a regular market for sterling forward delivery—the volume of our future commercial exchanges with Great Britain will practically depend on the future movement of prices both in Great Britain and the United States.

A More Important Question

"An even more important question for the American producer and manufacturer is whether and how the rise in sterling will affect Great Britain's trading position in those markets where both nations compete peaceably with each other. It is my belief, based upon the fact that British total world exports under more unfavorable conditions than those which will prevail with sterling at par, have grown, exclusive of re-exports, from 1918 to 1924 by approximately 60%, (these figures necessarily are based somewhat upon estimates and do not take into account possible price variations) that a rise in sterling will handicap Great Britain only to a small extent in her struggle to recapture the world markets.

"Will the rise in the pound sterling cause the British capitalists to resume their former investment policy of acquiring American securities and competing with us more actively for foreign banking credits and loans? Two prime motives underlie the purchase of foreign securities by any investor: either the desire to obtain a greater return on his capital and to vary his investments; or, second, the wish to place his savings in safer securities than his own country provides. It is evident that the second motive will be removed in future in the case of British investors. The scare of heavy con-

fiscatory taxes and the consequent risk of losing on the pound sterling is most likely eliminated for a long time to come.

But it must be noted in this connection that new British capital placed in foreign and colonial issues has decreased from a total of £198,000,000 registered for the year 1913 to a total of only £134,000,000 so invested during 1924, while American investments in foreign loans have grown from an inconsiderable figure in 1914 to a total of $893,000,000 (refunding operations not included) so invested during 1924. This decline in British investments abroad is due to a number of causes such as the imposition of heavier taxation than is borne by any other country in the world, with a corresponding reduction in savings; the large yearly payments due by Great Britain on her increased foreign indebtedness; the reduced income from certain classes of her foreign loans, and to a large extent also, no doubt, to a more reserved attitude on the part of British investment houses and banks—whether or not inspired by the government itself—in regard to the further absorption of certain foreign securities. Such a policy naturally would not relate to good American stocks and bonds which have always been favorites with the British public, but with the best British and colonial securities now yielding returns of 4½-5½%, the margin as against investments in the United States has naturally shrunk to such a degree that the "arbitrage" proves hardly as attractive as it did when British Consols were on a 2½% basis. For the United States, moreover, the question is no longer of such outstanding importance as it was in the last decades of the nineteenth century.

"Reviewing in the light of our interests the return of the pound sterling to par, I cannot detect any elements which would make for a weakening of our present international banking leadership. During the last ten years we have traveled far along the lines of world-wide financial development. The restoration of the old monetary unit of the pound sterling in terms of gold is only one more symptom of the definite improvement of financial conditions all over Europe, and if our British friends are satisfied that it does not disturb economic conditions in their own country, if they have the confidence in their ability to maintain the par, we should, in a whole-hearted way, support their plans by placing at their disposal any desired and advisable credits in order to insure the successful carrying out of their policy. The task ahead of the United States and Great Britain as bankers of the world which still is in the stage of convalescence is tremendous enough to call for the combined resources of the two countries; and the cooperation of trained minds and experienced organizations on both sides is a condition sine qua non for the safety of their loans and the future prosperity of both nations."

ELECTRICITY—OUR MOST USEFUL SERVANT

(*Continued from page 734*)

ticker for a few moments and if he gives an order it is electrically speeded to the Stock Exchange and reported back within a few moments in the same manner. In the evening perhaps he takes his wife to an electrically illuminated and operated moving-picture theater and winds up the day by spending half an hour trying for distance on his radio set.

To attempt to tabulate the various uses of electricity would be almost like attempting to tabulate the various activities of mankind. From the electrically heated incubator for weak babies to the electric chair which instantly and painlessly snuffs out the murderer's life, electricity is a part of the warp and woof of human existence.

And all this remarkable development has taken place in approximately forty years. In 1884, when Thomas Edison was perfecting the incandescent lamp, the telephone was only eight years old, the automobile was unknown, and only the larger cities had horse-drawn street cars. Chester A. Arthur was president of these United States and Queen Victoria ruled the destinies of the British Empire. That pioneer in electrical invention and development, George Westinghouse, had established the company bearing his name but two years later sales for the eight months, April 1 to December 1, 1886, amounted to only $140,000. Last year the three largest electric manufacturing companies did a gross business of in the neighborhood of three quarters of a billion dollars.

Today there are eleven million homes with electric service and approximately 13,000,000 without. Approximately 13,000,000 families own automobiles or a greater number than families which do not, and there are upwards of 3,000,000 radio sets in operation with the number increasing by leaps and bounds each month. More speed is the watchword of advancing civilization and electricity is the answer.

Effect on the Farmer

Henry Ford is of the opinion that electricity will be the force which will stay the movement from the soil to the centers of population and none may say that he is not correct. Certainly the modern farm is a far different place from that of even a quarter of a century ago. Electricity has done marvels towards eliminating drudgery and increasing productivity. The modern farm is lighted by electricity and, if it is large enough, a considerable user of electric power. Work which comes under the head of drudgery such as sawing wood, churning

butter and pumping water has been taken out of the class of manual labor by our most useful servant. The tractor has solved the labor problem to a large degree and the automobile, which is now found in practically every farmyard in the country, has broken down the barriers of distance. By increasing intercommunication among agricultural peoples it has broadened their lives and leavened their existence. Even the smallest agricultural communities have their moving-picture houses where exhibitions are given at least once a week or oftener, and the radio has put the farmer in closest touch with the great outside world.

If one could see a map of the United States with all the central stations and their connecting lines one would perceive that the entire country from coast to coast is closely veined with wires, the tendrils of electricity, and that there are few places in this land which are not now within reach of electric current.

Use in Mining

Electricity has speeded the economic development of this country in almost countless ways. It has robbed the coal miner of his fear of the dreaded firedamp and electrically operated tramways and electric hoists in the more modern mines have greatly increased production and reduced overhead. The Anaconda Copper Co. is a striking example of a big mining corporation which is a user of electric current on a large scale in its operations. In fact, Anaconda is as near an electrically operated mining property as it has been possible to achieve to date. In the heart of Africa the great copper, lead and radium mines of the Katanga Concession are equipped with the most modern electrical mining devices. And so on.

Radio—Newest Electrical Giant

Radio is the newest and most striking development in the electrical field and one which has the stage before the general and the investing public. Statisticians are fond of plotting so-called "saturation points" in various industries but such calculations are of little practical value. For the reason that neither statisticians nor anybody else can forecast the ramifications or new uses which constantly develop in industries. Given certain fixed and unvarying conditions and it would be possible to say that in 1930, for instance, the "saturation point" will have been reached in automobiles. But the prospect that by then new inventions or developments in the industry may have rendered obsolete every car of the 17,000,000 in use today, stands ready to throw all such calculations out of gear.

The radio is a case in point. The development of this remarkable industry has put an entirely different aspect on the outlook of electricity. And yet radio may be considered as only five

years old. In 1920 there were only about 10,000 sets in this country which were principally for experimentation purposes. In 1921 the Westinghouse Electric & Manufacturing Co. introduced broadcasting at the famous KDKA station in Pittsburgh. At the end of 1923 there were 2,000,000 radio sets taking messages from the air. At present there are considerably more than 3,000,000 receiving sets in operation, or one set for every eight homes in the United States. Who can say how many sets will be in operation at the end of the current year or how great the volume of the radio business will total? Last year the radio business totaled upwards of $300,000,000 and at the present rate $500,000,000 will be a matter of the not distant future. Even in the present era of quick changes the progress of the radio from infancy to gianthood eclipses all former records.

At present there are about 3,000 radio manufacturing concerns whose product is handled by about 1,000 jobbers and distributors. There are about 35,000 retailers which include those concerns which handle other lines of business. The industry is very young and out of the welter of evolution which it is now undergoing, there will emerge a number of strong and successful companies. But the number of failures will far exceed the number of successes. It behooves the investor, therefore, to utilize the utmost discrimination in selecting his radio securities. At present there is a craze for radio securities similar to the craze for oil stocks which swept the country four or five years ago. There are undoubtedly many radio stocks on the markets which do not possess intrinsic merit and are selling above what they are worth. The industry beckons alluringly but it should not be forgotten that the chances for loss by the non-discriminating investor are equal if not greater than the chances for profit.

Electrical Development Abroad

The United States has always led the world in the use of electricity. Whether it is because this country possesses the world's greatest supplies of copper, which is indispensable to the electrical industry, or whether the natural progressiveness of the American people is the answer, I leave it for others to decide. No other country has anywhere near the per-capita number of telephones or automobiles as has the United States. The fact that in 1923 the per-capita consumption of copper here was 12.69 lbs., compared with 6.61 lbs. or a little more than half as much by France, the next largest per-capita user of the red metal, gives some idea of our relative electrical develpoment. Last year U. S. copper consumption was estimated at 1,520,000,000 lbs., or more than half of the world's total consumption of approximately 3,000,000,000 lbs. While copper consumption has boomed here it has lagged abroad, due to the financial condition of the rest of the world resulting from the Great War. But Europe is waking up. She is alive to the truth that no nation can keep abreast of the times which is a laggard in electrical development. Last year copper consumption abroad increased nearly 53% while consumption in this country gained about 37½%.

Italy is a striking example of the new electrical impetus abroad. Rich in water power but lacking in coal, Italy for years has been at the mercy of the coal-producing countries and has lagged behind in the industrial race. Now Italy is spending millions of dollars in harnessing her matchless water powers and improving her telephonic and other electrical facilities. With an abundance of cheap power Italy should eventually be in a position to become a formidable industrial competitor.

France Making Progress

France is energetically pushing the electrification of her railroads and it may surprise some to learn that a larger percentage of French railroads are electrified than in the United States. Norway and Sweden, also abundantly supplied with water power, are energetically pushing hydroelectric developments.

Before the war Germany was second only to this country in the manufacture of electrical machinery. Her great Siemens & Halske and Allgemeine Gesellschaft companies, or trusts, as they might more properly be called, rivalled the largest of our electric manufacturing companies. Owing to Germany's strong banking position in foreign countries, backed by Governmental co-operation, she had the call on the export business. The war crippled Germany's activities in all lines, but she is working hard to regain her place in the industrial world. Recently her two largest electrical manufacturing concerns placed sizeable bond issues with American investors and the electrical industry may look for increasing German competition.

Considerations for the Investor

Regulation plus intelligent cooperation on the part of regulatory bodies have given public utility securities of this country a deservedly high ranking as investments. There is ample room for growth in the public utility field and we may expect to see continued activity in that field in the next few years.

There are many and increasing opportunities for the investor in electrical fields. The investor, however, should never lose sight of the facts that attendant upon such a rapidly growing industry, like the tail of a comet, there is bound to be many highly speculative or even dishonest promotions. The old adage, "Let the buyer beware," applies to the field of electrical securities as well as to all other investment fields.

APPLYING THE THEORY OF SWITCHING TO BONDS

(Continued from page 738)

portant units of the Bell System. While the Steel Corporation has, at times, shown a wider margin of earnings over interest charges than the Illinois Telephone Company, the latter's more stable income obviously compensates for any such difference.

Another Example

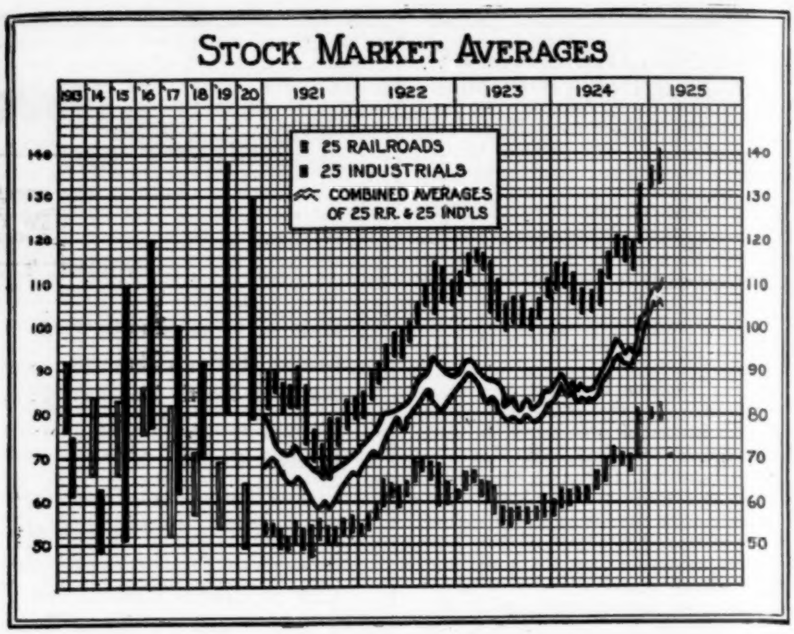
An exchange of Baltimore & Ohio 1st 5s for Laclede Gas Light 5½s involves switching from a high-grade security to a medium-grade bond about to emerge from the lower to the higher classification. By virtue of the fact that this transition has not been fully completed, an opportunity is afforded to secure a larger yield, with the added prospect for moderate profit in the case of the Laclede Gas bonds. Both issues are protected by direct first mortgages on valuable properties. Laclede, however, suffered relatively more from post-war readjustment than Baltimore & Ohio, which accounts for the belated recovery of its bonds.

Still Another

The United Railways-Midvale Steel switch has obvious advantages, revealed by the statistics of yield and earnings. As in the two preceding instances, it would be difficult to weigh the difference in security of principal between these two bond issues. The United Railways 5s are covered by a first mortgage. The Midvale 5s are similarly protected, with the additional advantage of the guarantee of Bethlehem Steel Corporation, given in consideration of the latter's absorption of Midvale in 1923.

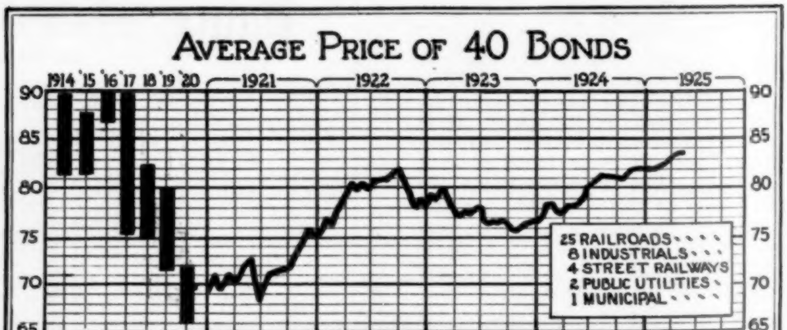
Still another principle of bond switching is revealed by the suggested sale of Goodyear 8s in favor of Fisk Rubber 8s. The Goodyear bonds are now selling at their redemption price. In view of the greatly improved outlook for this company, it is quite likely that these bonds will be retired and replaced with an issue bearing a lower coupon rate. Hence, the prospect for further price appreciation is limited here also, by virtue of the impending probability that the bonds will be called. This possibility is avoided by the Fisk Rubber 8s which are still selling well below their call price, at the same time yielding a more liberal return.

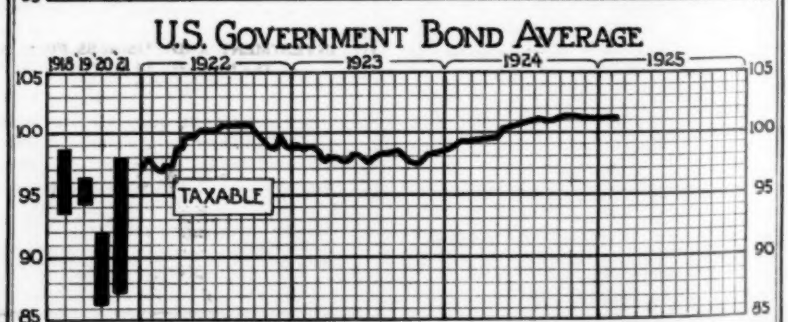
For Feature Articles to appear in the March 11th issue see page 723.



MARKET STATISTICS

	N. Y. Times	Dow, Jones Avgs.		N. Y. Times — 50 Stocks —		
	40 Bonds	20 Indus.	20 Rails	High	Low	Sales
Thursday, Feb. 5....	83.52	120.83	100.49	109.22	108.11	2,147,748
Friday, Feb. 6.......	83.60	121.48	100.46	109.36	107.98	1,818,392
Saturday, Feb. 7.....	83.68	121.50	100.29	109.47	108.43	858,022
Monday, Feb. 9......	83.70	122.37	100.10	110.31	108.71	1,515,794
Tuesday, Feb. 10.....	83.78	121.73	100.15	111.21	109:11	1,645,411
Wednesday, Feb. 11...	83.77	121.23	99.69	111.23	109.25	1,668,633
Thursday, Feb. 12....		H O L I D A Y				
Friday, Feb. 13......	83.75	121.73	99.44	110.34	108.85	1,171,630
Saturday, Feb. 14...	83.79	120.86	98.88	109.92	108.85	781,850
Monday, Feb. 16.....	83.56	117.96	97.83	109.02	106.61	2,230,555
Tuesday, Feb. 17.....	83.55	118.48	98.33	107.92	105.70	2,149,180
Wednesday, Feb. 18..	83.71	120.07	99.55	109.21	107.81	1,543,522





WHAT PRIVATE RAILROAD MANAGEMENT HAS ACCOMPLISHED

(*Continued from page* 737)

capable of carrying freight with a smaller percentage of dead weight. The new locomotives have an increased average tractive power, making it possible to haul greater train loads.

Speeding Up the Trains

Partly as a result of the improved equipment and partly owing to better management, the average freight train speed has gained. The average number of miles per hour made by trains in freight service in 1920 was 10.3. In 1924 the figure had increased to 11.5. At the same time the average number of miles made by all freight cars per day has, on the whole, shown similar improvement, although it is more difficult to draw conclusions here because the figure includes cars idle as well as those in movement. In 1919 the car miles per car day had fallen to 23.1, while in 1923, which is the latest year for which complete data are available, the average was 27.8.

These figures mean that not only are the carriers rendering prompter service but that they are turning their capital over more rapidly.

A signal achievement of 1924 is the fact that there was no accumulation of freight or congestion of traffic in that year chargeable to railway disability. Car shortages during the last year or two have been negligible in spite of the record-breaking tonnage handled.

Another indication of efficiency which is by no means negligible is the reduction in loss and damage payments which the traffic departments have effected during the last two or three years. In 1920, this item, together with personal injuries and insurance, took 3.6% out of every dollar of revenue, while in 1923 the percentage had been cut in half.

Along with these gains in efficiency and reductions in expense the carriers have greatly increased the service rendered to the public. Last year they broke all records for the number of cars hauled in any one week or one month and they moved a larger number of tons one mile (i. e., a larger number of "ton miles") in one month than ever before. As already noted, the installation of a large number of new cars and locomotives and the reduction in ratio of unserviceable locomotives and cars enabled them to handle the peak load without any appreciable shortage of equipment or traffic congestion. It is probable that never before have there been such close and satisfactory working relations between shipper organizations and carrier organizations as exist at the present time.

Incidentally, it should be noted that more new passenger cars were put in

service in 1924 than in any year since before the war.

Another striking development is the turn of the tide with relation to new railway mileage. In 1924 more new miles of track were under construction than at any time since the war and this is the first time since 1916 that the outlook is for a net increase in the railway mileage of the country.

The foregoing statements show why it may be truly said that the railway outlook has fundamentally improved and why railway stocks are beginning to climb back toward the higher levels which used to exist before increasing costs and government rate reductions made railroading relatively unprofitable. It remains to analyze the situation existing at present as to investment and earnings.

The general trend of net railway operating income was downward from 1916 to 1920 but since that time there has been a rather steady gain. The net income in 1924 is announced as over $987,000,000 which, while only a little larger than in 1923 (when gross earnings were larger), is far greater than the $17,227,000 for 1920. In fact, in 1920 only 0.3 of 1% of the railways' revenue dollar was available as net income, against over 15% in 1924.

A question which may arise in the prospective investor's mind is, are the earnings of the railways getting so large that adverse regulation will be invited and the investor be thus deprived of any profits. There does not seem to be any danger of such a development in sight. For one thing, when figured as a percentage on investment, the net income is still small. In 1920 the annual rate of return on the investment of the carriers as shown by their books (including material, supplies, and cash) was less than 0.1%. This percentage increased to 2.91 in 1921, 3.64 in 1922, and 4.49 in 1923. In 1924 the return was slightly less than in 1923, or 4.35%. It is the opinion of economists conversant with railway affairs that the investment figure is conservative. The valuations of the Interstate Commerce Commission on the whole substantiate this opinion. Recent utterances of the Interstate Commerce Commission and the Report of the Joint Commission of Agricultural Inquiry indicate that the best opinion agrees that the return on railway investment has not yet become adequate. Under the present administration, there is every reason to believe that the carriers will be allowed to earn an appreciably larger percentage on their recognized investment and this should materially increase confidence in the railway outlook.

In this connection, the fact that the carriers have made large additions to their investment account during the last two years is to be noted, such additions amounting to many millions of dollars for locomotives and freight cars and nearly a billion dollars expended or authorized for expenditure in the shape of additions and betterments to fixed property. These ex-

penditures have been made under the authorization of the Interstate Commerce Commission. While the increase in net has not been sufficient to pay a return on this new capital it is hard to believe that the carriers will be denied the right to earn such a return in the future.

A situation which remains to be righted is the unduly large proportion of railway capitalization which is in the form of funded debt. Owing to their weakened credit in the last decade the carriers were forced to resort to bond and note issues to an increasing extent. As a result, funded debt in 1923 was nearly 57% of the total railway capital. This means an unduly large percentage of fixed charges and it does not leave sufficient leeway to meet the fluctuations in earnings which are bound to come in any business. Moreover, the funded debt is so large that difficulty is experienced in raising any more capital by further bond issues.

Since the earnings of the carriers are now increasing and the political outlook is more favorable it seems fair to conclude that they will soon resort to stock issues to an increasing extent. This is desirable not only from the point of view of the carriers themselves but also from the point of view of the investor. *As a stockholder, the purchaser of railway securities is now in a position to (1) participate in the improved outlook for earnings and to (2) share in the increasing equity available in the improved and enlarged railway plant.*

Important Dividend Announcements

Note—To obtain a dividend directly from the company the stockholder must have his stock transferred to his name before the date of the closing of the company's books.

Ann'l Rate		Amount Declared		Stock Record	Payable
$4	Am Radiator Cm...	$1.00	Q	3-14	3-31
$6	Am Ry Ex Cm......	$1.50	Q	3-16	3-31
$7	Am Sugar pf........	$1.75	Q	3- 2	4- 2
$5	Am Tel & C cm....	$1.25	Q	2-28	3- 2
$9	Am Tel & Tel cm..	$2.25	Q	3-17	4-15
$4	Atlas Powder cm...	$1.00	Q	2-27	3-10
$7	Beth Steel 7% pf..	$1.75	Q	3- 7	4- 1
$8	Beth Steel 8% pf..	$2.00	Q	3- 7	4- 1
6%	Borden Co pf......	1½%	Q	3- 2	3-16
$6	California Pack'g cm	$1.50	Q	2-28	3-16
$7	California Pet pf...	$1.75	Q	3-18	4- 1
$10	Can Pac Ry cm....	$2.50	Q	2-27	4- 1
$2.50	Chile Copper	$0.625	Q	3- 3	3-30
$7	Coca Cola	$1.75	Q	3-15	4- 1
8%	Con Gas Balt A....	2%	Q	3-14	4- 1
7%	Con Gas Balt B....	1¾%	Q	3-14	4- 1
$6.50	Con Gas Balt C....	$1.625	Q	3-14	4- 1
$2	Con Gas Balt cm...	$0.50	Q	3-14	4- 1
$12	Cumberland P L...	$3.00	Q	2-28	3-16
$9	Delaware & Hudson	$2.25	Q	2-26	3.20
$10	Du Pont (E I) cm.	$2.50	Q	3- 5	3-16
6%	Eastman Kodak pf.	1½%	Q	2-28	4- 1
$5	Eastman Kodak cm.	$1.25	Q	2-28	4- 1
—	Eastman Kodak cm.	$0.75	ext	2.28	4- 1
$2.60	Fair-Morse cm	$0.65	Q	3-14	3-31
$8	Famous Players cm.	$2.00	Q	3-16	4- 1
$8	Foundation Co cm..	$2.00	Q	3- 2	3-16
$2	General Pet cm....	$0.50	Q	2-28	3-15
$7	Goodrich B F pf...	$1.75	Q	3-16	4- 1
$8	Guantanamo Sug pf.	$2.00	Q	3-16	4- 1
$7.50	Hayes Wheel pf....	$1.875	Q	2-28	3-16
$3	Hayes Wheel cm...	$0.75	Q	2-28	3-16
$3	Hudson Motor cm..	$0.75	Q	3-16	4- 1
$7	Inland Steel pf.....	$1.75	Q	3-14	4- 1
7%	J & L Steel pf.....	1¾%	Q	3-16	4- 1
$3	Kennecott Copper ..	$0.75	Q	3- 6	4- 1
$7	May Dept pf.......	$1.75	Q	3-16	4- 1
7%	Nat En & Stamp pf	1¾%	Q	3-11	3-31
$4	N Y Air B Cl A pf.	$1.00	Q	3-10	4- 1
$7	Norf & Western cm.	$1.75	Q	2-28	3-19
$1.80	Orpheum cm	$0.15	M	3-20	4- 1
$3	Owens Bottle cm...	$0.75	Q	3-16	4- 1
$7	Packard Motor pf..	$1.75	Q	2-28	3-14
$7	Pressed Steel Car pf	$1.75	Q	3-19	6- 9
7%	Republic I & St pf.	1¾%	Q	3- 9	4- 1
$2	St Joseph Lead cm.	$0.50	Q	3- 9	3-20
7%	Savage Arms 1st pf.	1¾%	Q	3-16	4- 1

Over-the-Counter

IMPORTANT ISSUES

Quotations as of Recent Date*

Aeolian Co. pfd. (7)	80	90
Aeolian Weber	25	30
Aeolian Weber pfd. (7)	100	105
Allied Packers	9	10
Sr. Pfd.	20	22
Pr. Pfd.	64	66
American Arch (5P)	109	112
American Book Co. (7)	114	118
Amer. Cyanamid (P)	135	139
Pfd. (6)	83½	85½
Amer. Thread pf. (5%)	3¾	3⅞
Atlas Portland Cement (4)	127	129
Babcock & Wilcox (7)	132	135
Barnhart Bros. & Spindler:		
1st Pfd. (7) G	100	104
2nd Pfd. (7) G	92	..
Beaver Board pfd	36½	38
Common "A"	6	7
Common "B"	5½	7
Borden Co. (8)	144	146
Pfd. (6)	104	106
Bucyrus Co.	127	130
Pfd. (7)	100	104
Celluloid Co.	46	50
Pfd. (8)	95	98
Congoleum Co. pfd. (7)	x102½	..
Crocker Wheeler	25	27
Pfd. (7)	75	78
Eisemann Mag. pfd. (7)	48	52
Franklin Rwy. S.	91	95
Gen. Optical pfd. (3½)	25	..
Hale & Kilburn pfd.	19	22
Ide (Geo. P.) & Co., Inc.	7	10
Pfd. (8)	65	70
Jos. Dixon Crucible (8)	135	140
Ingersoll Rand (8P)	240	250
Johns-Manville, Inc. (3P)	130	136
Knox Hat	44	49
2nd Pfd.	55	60
Pr. Pfd. (7)	90	95
Lehigh Portland Cement (3)	67	70
McCall Corp'n	77	80
Pfd. (7B)	122	..
Nat'l Fuel Gas (5P)	112	115
New Jersey Zinc (8P)	190	193
Niles-Bement-Pond	27	31
Pfd.	48	53
Phelps-Dodge Corp'n (4)	118	122
Pierce, Butler & Pierce (8)	103	..
Pfd. (8)	90	..
Poole Engin'g (Maryland):		
Class A	18	21
Class B	17	20
Royal Bak'g Powder (8)	148	153
Richmond Radiator Co.	32	37
Pfd.	108	120
Royal Bak'g Powder (8)	148	152
Pfd. (6)	100	102
Safety Car H. & L. (8)	121	123
Savannah Sugar (6)	63	67
Pfd. (7)	82	85
Sheffield Farms (6)	130	..
Pfd. (6)	95	99
Singer Mfg. Co. (7)	208	211
Singer, Ltd. (England)	4	4⅜
Superheater Co. (K)	125	129
Thompson-Starrett (4)	85	..
Victor Talk'g Mach. (8)	95	105
White Rock (K)	16	17
2nd Pfd. (5)	88	92
1st Pfd. (7)	98	101
Yale & Towne (4P)	69	71

* Dividend rates in dollars per share designated in parentheses.

B—Arrears being discharged at rate of 7% annually in addition to regular dividend rate.

G—Guaranteed as to principal and dividend by Amer. Type Founders.

K—Dividend rate on this stock not established.

P—Plus Extras.

x—Ex-Dividend.

OVER-THE-COUNTER stocks were fairly active and firm during the fortnight. Strength was shown in the rail equipment issues, notably American Arch and Superheater. The report of the latter company for 1924 was filed, and caused favorable comment. Despite a period of comparative dulness in the equipment field in the forepart of the year, the company's operations were in sufficient volume to enable it to make an excellent showing. Total surplus was increased by $593,000 and dividends of $3,250,000 were paid during the year, indicating profits of over $3,800,000, or more than $19 per share. The company ended the year in its usual strong financial position. Although current assets, as shown in the report, bore the relation of only 3 to 2 of current liabilities, as shown, additional assets include 10.7 millions of "Bonds, etc."; and as this latter account is understood to consist of securities of highest quality, and is entered at cost, it is regarded as a liquid asset. On this basis, total liquid assets exceeded $14,000,000 against less than $2,100,000 current liabilities. Superheater's capitalization consists solely of an authorized 200,000 shares of no par value stock, of which 197,041 shares were outstanding as of December 31, last.

Interest was evinced in the high-yield group, including General Optical preferred and Pierce, Butler & Pierce preferred. The former, available around 30 at this writing, offers a return of 11.30% and the latter close to 9%. Position of General Optical is such as to warrant continuance of the current dividend rate and it has prospects of a considerable increase in earnings. The other company has been analyzed here previously. Strength was also shown in American Cyanamid. Victor Talking Machine firmed up somewhat after a decline of almost 50 points from its level of a few weeks ago. There was continued good demand for Borden Co.

BIG OIL COMPANIES IN POSITION TO CASH IN ON INVENTORY PROFITS

(Continued from page 743)

chasing Company are the two largest buyers of crude oil in the mid-continent fields. Recently, Prairie announced that it would buy all the remaining 50% of oil stored during the period of proration last year. Of late there has been a scramble for crude in the mid-continent, resulting in crude selling at premiums. Early in February, Prairie advanced its bid for 42 gravity crude at wells in Kansas, Oklahoma and North Texas, to $2 a barrel. A price of $2.50 per barrel is freely predicted at this writing. Turning to the tabulation herewith, one perceives that Prairie has the largest value of stored oil per dollar of capitalization of any company noted. In other words, for every dollar of capitalization, it has upwards of 90c of stored oil.

Pure Oil had about 8,000,000 bbls. of oil in storage at the middle of last year.

Standard of Indiana has approximately 36,000,000 of crude oil on hand, of which approximately 22,000,000 bbls. is held by the Sinclair Crude Purchasing Co. and the balance in the tanks of Standard's subsidiaries. Gasoline storage ranges from 180,000,000 to 200,000,000 gals. An advance of a cent a gallon adds from $1,800,000 to $2,000,000 to the value of Standard's inventories, so it becomes evident that the recent advances in mid-continent oil prices, ranging from 3c to 5c for gasoline and from 50c to 80c a barrel for crude oil, mean much to this company. Standard of Indiana is the largest seller of gasoline in the country and expects this year to market in excess of 1,500,000,000 gallons. Many oil experts regard Standard of Indiana as one of the most favorably situated oil companies in regard to the outlook for increased profits.

From the viewpoint of volume, *Standard of New Jersey* carries the largest inventories of any oil company in the United States. This is not more than might be expected since this company is the largest of all the oil companies. Standard of New Jersey's 20,000,000 shares of common stock sell in the open market for approximately $900,000,000 at present. Recent advances from 1 to 2c per gallon in tank wagon, gasoline prices, brought those prices in New York City to a cent above the high level touched last year.

Sinclair Consolidated has about 25,000,000 bbls. of oil in storage, of which approximately 22,000,000 bbls. is held by the Sinclair Crude Purchasing Company and 3,000,000 by Sinclair Consolidated. During the first nine months of last year Sinclair Consoli-

dated reduced its inventories to the extent of approximately $1,000,000.

Texas Company entered 1924 with inventories larger than in any year in its history with the exception of 1920. In September, the company announced that it would buy at posted prices all the oil it held in storage for producers in north and central Texas. On October 3 Texas Co. inaugurated the turn in the crude-oil market by establishing a price of 85c for Smackover heavy crude of less than 26 degrees gravity. This was equivalent to an advance of from 5c to 25c per barrel.

Conclusion

From the foregoing survey of the oil situation it is evident that the big companies' optimistic sentiment in reference to the status of their concerns and their outlook is not without considerable foundation. They hold the major portion of stocks of crude and refined products, bought at prices which show them substantial profits at present markets.

At the present writing, there is no cloud in the oil sky in the line of any considerable increase in production from new or old sources, while consumption is running ahead of output. Stocks, while still too large for comfort, have been materially reduced in the last six months and the balance are in the hands of those who are in a position to hold them until they can be liquidated at a profit.

While mindful of the danger of over-optimism in oil, one cannot be impressed by the apparently sound, underlying conditions of the industry.

The prospective investor in oil companies can hardly do better than confine himself to the securities of long-established corporations of demonstrated earning power and able management. Every oil investor should keep posted on crude production figures as reported weekly, and the trend of crude and refined prices. These are the two most important indices of the oil industry. Their movements forecast the trend of earnings and hence the trend of prices for oil securities.

SECURITIES OF HOLDING AND OPERATING COMPANIES

(*Continued from page* 741)

stock, one of the best indices to the speculative value (or lack of value!) is afforded by the percentage of the total gross earnings of any company that remains for the common stock after deducting all interest, preferred dividends, maintenance, and depreciation. For example, the *American Water Works and Electric Co.*, with gross earnings of over 37 millions had but 1.3 millions remaining to the common stock—only 3.5 per cent compared with 15.7 per cent for the *American Gas*

and *Electric Co.*, which had gross earnings of over 35 millions.

Such a factor as this of earnings must not be considered alone, but weight must also be given to the annual rate of growth in gross earnings; the amounts expended on the maintenance and depreciation of the property of the subsidiaries; the number of shares of common stock, the earnings per share, and the market price. The dividend rate, much as is the case with the Standard Oil stocks, is of little value as an aid in judging future appreciation.

Let us glance for a moment at the table showing some of these factors for a number of well know holding companies and for several operating companies as well. It is possible from such a table to determine the relative attractiveness of these various stocks in the present market. It should be noticed that the holding companies chosen, with the exception of the National Power and Light Co., all have approximately the same volume of gross earnings. Were this not done the comparison would be inaccurate in some respects. In addition, examination of past records indicates that these companies have been expending at least 15 per cent of gross earnings for maintenance and for the depreciation reserves of the subsidiary companies. This percentage, of which half usually goes into the depreciation reserve, represents the average practice of the better companies.

The percentage earned on the present market prices are quite low compared with the ratios of a year ago, and should serve as a warning that the markets in some of the stocks have outrun their earning power. None of these stocks in the holding company class are earning more than 9 per cent on their recent market prices, whereas a year ago 15 to 20 per cent was the rule. However, two circumstances will operate to prevent the prices of these stocks from declining very severely from their present levels. The first is the increased confidence of investors and speculators in this type of stock, a confidence that has been amply justified by the stock dividends and split-ups that were bound to come with the growth of earning power after the utility hard times of 1916 to 1921. The second is the steady increase in the use of electrical energy that is not interrupted by times of depression or by any apparent saturation point. The average rate of growth in gross earnings of the utilities listed in the table has been all the way from 8 to 20 per cent per year, barring the increase from new properties acquired.

From the long-range viewpoint, then, one is rather safer in purchasing utility stocks even at these levels than in buying some of the industrials. Particularly is one safe when attention is centered on those larger companies whose gross earnings run well up into the millions, whose properties are well maintained, and whose management and reputation are well known. *However, it would be wiser to choose those stocks that are behind their fellows in the market, or rather the ones that have not so optimistically discounted the future.*

The companies that have the largest percentage of their gross earnings remaining to the common stock—combined with a small number of shares of stock and a high earning rate on the market price—should be considered ahead of the others. For example, from the list of holding companies in the table, the first choice is the National Power and Light Co., because nearly 8 per cent of the gross earnings belong to the common stock, there are but 122,952 shares, and the stock is earning over 7% on the present market price of $200. Probably better suited to the average pocketbook is the second choice—Middle West Utilities Co. stock at 88, which retains 4.5% of the gross for the 191,000 shares of common stock. Next in the holding company class should come the Commonwealth Power Corp. which enjoys the highest earning power on its market price of 120. Three other companies not shown on the list that should be given serious consideration because of their earning power and prospects for the future are, first, The American Gas Company ($140 per share on the Philadelphia Exchange), second, the Public Service Corp. of New Jersey, and third, the Standard Gas and Electric Co.

As between the stocks of holding companies and those of operating companies as a class it is only possible to

generalize: the former for capital appreciation with some speculative risk, and the latter for steady, safe income return, with rights to subscribe to additional stock from time to time.

The difference between the two classes of stocks are well illustrated by the table. A much larger percentage of the gross earnings remains for the operating company stocks, which also have a higher earning power on their market prices, and the number of their shares is much larger in proportion to their gross earnings. The combination of these three circumstances makes for increased stability and safety. Of the five stocks listed, probably the first choice would be that of the Detroit Edison Co. because of the relatively high return of about 7 per cent. Next might come the stock of either the Brooklyn Edison Co. or of the Consolidated Gas, Electric Light and Power Co. of Baltimore.

Market Position—Bonds

Although this article has dealt primarily with stocks, certain of the remarks thereon apply equally well to bonds. Operating company bonds are to be purchased, with due discrimination of course, for high safety and low yield. However, the same relative degree of safety obtains for the holding company notes, with possibly more diversity in place of direct security, and the yields are sufficiently better to make them the more attractive of the two, for the investor who wants the highest possible yield consistent with prudence.

ARE YOUR FUNDS ENTRUSTED TO MANAGEMENTS LIKE THIS?

(*Continued from page* 768)

In its earlier days the Schulte company built itself up chiefly from its earnings. Wall Street heard little of the concern and it was not until 1923 that the company's stock was listed on the New York Stock Exchange.

The interesting thing in connection with Schulte Stores, from the investor's standpoint, is the very considerable expansion policy which the company has entered into in the last few years. Previous to this there had been numerous conferences between David Schulte and George Whelan, presiding genius of the United Cigar Stores Co., looking to a pooling of interests. But it was a case of an irresistible body meeting an immovable mass and negotiations were finally abandoned.

In 1923 the Schulte Stores acquired the control of the old established firm of Park & Tilford. The acquisition included a plan of establishing Park & Tilford stores in the larger cities throughout the country and agencies in smaller localities. Not only do the Schulte plans contemplate the establishment of stores and agencies across the continent but also in London and Paris. If the latter prove successful the chain will be extended to other European population centers.

In September of last year Mr. Schulte purchased the stock in V. Vivaudou & Co., owned by Mr. Vivaudou, then the president of that company. It was stated that this stock was paid for from the earned surplus of Park & Tilford, but a merger of the two companies was not contemplated. As Park & Tilford and the Schulte chain stores furnish the means for distribution of the Vivaudou products, the advantages of having a large interest in that company are obvious.

The investor who purchases Schulte stock is banking upon the ability of David Schulte to continue to increase his business as in years past. Earnings for last year are estimated at slightly less than $11 a share on the common. If the future can be judged by the results of the past, it would seem that there is every reason to believe that the Schulte chain of stores will continue to progress as they have in the past, steadily and surely.—B. P.

The Record of the 1st National Bank

I know of no managerial achievement which, all things considered, could quite equal that of the First National Bank under George F. Baker and associates.

When Mr. Baker first took the helm of this institution, it was just one of numerous New York banks, and not a very influential one, or a very large earner at that. *Each year since, it has gained in prestige; and its earning power has been built up to a point where it may be pointed to with a good deal of confidence as probably the most profitably conducted institution in this country, and one of the most influential.*

The record of the First National has been covered from time to time in these columns, in connection with recommendations of its stock. Since the first analysis was published, the stock has more than tripled in market value. Despite this enormous advance (from $900 to $2,800 per share) the issue is about as tightly held today as ever before. And that is the most convincing evidence that could be cited of the regard in which the management is held and the accomplishments that stand to its credit.

The development of First National is generally credited to the practical genius, courage and pertinacity of George Farr Baker. He is widely recognized as the dean of the American banking world today and one of its strongest personalities. Surrounding him—and including his son, who has occupied an influential place in the bank for many years—Mr. Baker has had a board which shares rightfully with him in the successes that have been scored.

Nor have the achievements of the First National been of importance to

itself, or its stockholders, alone. On the contrary, the constructive influence of this institution has been felt widely. Perhaps the most dramatic task in which it has associated itself has been the rehabilitation of the Erie Railroad. Those who can remember what Erie was ten years ago, and who will compare that Erie with the Erie of today will appreciate the magnitude of the accomplishment and the courageous vision it required.

A graph appearing elsewhere in this article traces the record of the First National since 1909. Impressive as this record may be, it does not tell the whole story of the First National's accomplishments. Back in 1908, the securities division of the First National was separated from the bank, and the earnings of this Securities Company are not covered in the chart. Thus, to appreciate the record of the First National organization in full, the record of this securities branch must also be considered.

For most people, however, the record of the Bank alone will be sufficient. In the last three years, it has shown an average earning power, in its own right, of over $150 per share. Last year it paid out $75 per share in dividends—and added some $68 per share to surplus. Most of its stockholders are rich and have no need to cash in on the remarkable advance in the stock. But even if they weren't rich, they'd probably be inclined to hold. Once you tie up to a management such as First National enjoys, what's the use of breaking the ties?—R. R.

WITH THE EDITORS

(*Continued from page* 723)

he was going to get out of you than the profits you were going to realize.

N.: *Yes, that struck me recently when I had Cosden and some other stock that he told me to sell with a one-point profit, and sometimes they would run up several points in a day. Therefore I told him that it began to look to me as though he got me out because he was afraid they would go up, and I might realize a big profit.*

W. S. M.: Well, I can see from what you've told me already that you are not qualified to be a speculator. Do you realize that this is the toughest game in the world—this day-to-day trading? Trying to scalp a hundred dollars here and there, particularly if you limit your profits, can't pay. Besides, here you are a professional woman, whose time and attention during the day is frequently taken up by telephone calls about some stock or other that your broker wants you to buy or sell. It must keep you on a nervous edge all the time.

N.: *It does! For several weeks back I couldn't take a patient. I lost fifteen pounds. I was trading in the*

market so actively that I was on the telephone all the time, and I felt that I couldn't watch the market properly unless I was in my own room and at the end of the telephone.

W. S. M.: Well, you are in a fair way to shatter your nerves and lose all your money besides. It's a good thing something has happened to interrupt your speculative career. You oughtn't to be a speculator at all. You should be an investor. You could invest in securities like bonds and preferred stocks that would net you 6% or 7%, and perhaps grow some in value; but your main object should not be to scalp a profit out of the fluctuations of the market, but (1) to avoid losing money; (2) have your principal safely invested; (3) get a good income; (4) have some prospects of growth in the principal value of your securities. If you do this, you will avoid the nervous strain of speculation; you will avoid losing money; you will be able to keep your mind on your patients instead of your stock market commitments, and you will be happier as well.

The main consideration, however, is your future. You are dependent on yourself, as I understand it, and unless you expect to keep on nursing until you are about 80 years old, you can't go on losing money in the stock market. You've got to put your money where it will take care of you when you are older. That $7,000 you have lost should have been bringing you in $420 to $490 a year right now, and the interest on that income when reinvested would further increase the annual return on the whole amount. Do you realize what $10,000 will do if reinvested and added to for the next ten or twenty years? It would seem no time at all before you could be taking things very easy instead of continually being forced to go on nursing in order to make a living.

By the proper investment of your money for the next ten or twenty years, you can have a very snug sum set aside. The more income it produces the less work you will have to do, so that after a while you might have to work only six months out of the twelve, and then three months, and so on.

I wish you would promise not to make any more speculative trades. Close up that account with the broker who is jumping you in and out and making you take one-point profits, because you simply can't make any money that way, and you've got to begin to pile up money instead of paying it out in losses and commissions. Next, I'm going to subscribe for you to THE MAGAZINE OF WALL STREET for one year, so that you will learn what real investment is, besides getting an investment education which will enable you in the future to pick out the right kind of securities. In that Magazine they are all explained for you. Before the year is over you will have an entirely different idea of the whole business. You will learn the proper care of money and its safe investment. Will you promise to follow these suggestions and make your fortune, instead of going on as you have been, and losing one?

N.: *Yes, I promise.*

W. S. M.: All right. It's time for my medicine.

THE FIVE MOST IMPORTANT THINGS TO KNOW BEFORE BUYING A STOCK

(*Continued from page* 759)

of issues—bonds, preferred stock and common stock—will directly control the share he can enjoy in the distributions of the corporation, the safety margin and the asset value.

How High Does the Stock Rank?

As the fourth step in investigating the merits of a security, the obvious practice of determining the earning power of the corporation in terms of the stock seems recommendable. And in this connection, it is of course important to guard against conclusions based on the results of a brief period of time. Most of our well-established corporations have had a good many years in which to show what they can do and can quite fairly be judged on the basis of the results for a period of at least five successive years; certainly, the results of any shorter period might be illusory.

The investor should also be careful to guard against any distortion in his findings, due to abnormal conditions which may have prevailed during the period he selects. Thus, it is probably unnecessary to point out that the earnings of most American industrials during the war period are entirely misleading by comparison with peace times and the same may be said of other periods in which abnormal factors have played a controlling part. Also, the investor should be on the lookout for little kinks in the particular format of a given company such as are likely to distort the results shown on its shares. In this class, you would put the company which showed a balance for interest charges in 1917 of 1.5 millions and a balance for practically the same interest charges in 1919 of 2.4 millions but which, over the same period, and with the same preferred and common stock capitalization, saw the per share earnings available for the common rise from $2.77 to $14.97. In other words, balance available for bond interest rose less than twice, while earnings per share of common rose between 5 and 6 times, the explanation being a top-heavy capital structure, resulting in a large increase in earnings per share on a comparatively small increase in total income.

As our fifth—and necessarily our

last—step in analyzing a stock whose purchase is being considered, the elementary practice of figuring out the yield it offers, on the basis of the current dividend rate and the prevailing market price, may be recommended. The purpose of this, of course, is to see whether you will get as good an income from the issue in question as you might get from some other, equally good one.

This step also serves another purpose, with which every corporation analyst is familiar: It serves to bring out the extent to which one's own conclusions agree with those of the rest of the investment fraternity. And a very important purpose that is! Many a time, when there is nothing else in the world to reflect it, some inherent weakness in a corporate structure will be disclosed by a high-yield price existing for its stock. When the investor determines his yield—notes a substantial contrast—and begins to inquire further into it, he will frequently uncover some condition whose existence he never dreamed of but which, once discovered, is sufficiently important to restrain him from buying the stock.

GETTING YOUR MONEY'S WORTH OUT OF YOUR INCOME

(*Continued from page* 761)

4. *The budget should not be subject to any more than a small revision upwards with an increase in income. Spending right up to one's income never made anyone rich.*

In considering these two budgets, remember that they may not apply in detail to any families except those for whom these budgets were drawn up. The method of handling your income according to my method is really very simple.

Give the Wife a Job

In the first place, the best results are secured when the wife is given the responsibility of handling the House Expenses as well as her own expenses. It is surprising what a feeling of responsibility and real interest comes to a woman when she is given a check the first of each month to cover her own and the house expenses. In my case the first of each month I give my wife a check to cover the expenses for the house; for Health, Recreation and Education; Wife's Expense; Miscellaneous Expense; and Charity. This check she deposits in her own name, and out of this amount she pays all the expenses incurred for the items listed.

Except where it is impossible to do so, as in the case of bills for gas, telephone, etc., *we pay cash as we go.* There is nothing that will wreck a personal financial plan any quicker than the ordinary American habit of run-

ning charge accounts. For years we used charge accounts for everythig, and as a result we spent money quite painlessly, but spent it nevertheless. Now we know that if we want some new furniture, or some new clothes, or whatever the item may be, we must pay cash on delivery. The result of that knowledge is a distinct "Stop, Look and Listen" warning. Try paying cash—you will be surprised how many things you'll find that in the end you won't buy.

This policy of paying cash has brought us some interesting experiences. Two examples of the savings resulting from paying "C. O. D." will suffice to illustrate my point. In looking over her expenses for "Food" my wife decided that since she paid cash anyway, she might save herself money, time, and bookkeeping by buying her Food Staples, such as soap, sugar, flour, etc., in one order the first of each month. A list of these staples, drawn up the first month this plan was tried, has now been modified and corrected so that this first-of-the-month purchase of food staples is about correct for a month's requirements. The result has been that my wife now goes to market but twice a week, as against four or five times a week before this plan was tried; she saves both her time and her money; the temptation (through too frequent visits to the grocery store) to buy luxury items is reduced; and the food costs have actually been reduced by $10.00 a month on the average.

The Advantages of Paying Cash

A second example of the advantage of paying cash will be of interest, this time from another direction. For years the writer has patronized an excellent tailor in a fashionable district of New York, paying without a murmur from $100.00 to $125.00 for a suit made to measure, and excellent in every way, *and* charged, to be paid for weeks later. After adopting the "pay-as-you-go" policy, on feeling the need for another suit of clothes I paid a visit to my tailor, looked at material, inquired the price of the particular suit selected—*and stopped short!* Price $115.00! Cash now, not charge. Result, a regretful but firm farewell to that particular tailor. A trip further from the "Avenue," and the purchase of a suit, satisfactory in every way, perfect-fitting, made to measure, bought and paid for in cash. And here is the comparison of the financial end of the dealings with the two tailors:

Tailor A, in the fashionable district, one suit of clothes, perfect fit	$115.00
Tailor B, not in the fashionable district, one suit of clothes, also a perfect fit	65.00
Also 1 share Penna. R. R. Common	50.00
	$115.00

(*Please turn to page* 796)

Dividends

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Dividends

THE MENGEL COMPANY

The Board of Directors, February 16th, 1925, declared the regular quarterly dividend of 1¾% on the Preferred Capital Stock of the Company, payable March 2nd, 1925, to Stockholders of record at the close of business, February 28th, 1925.

J. H. MACLAY, Secretary.

Any Preferred Stock to be transferred should be sent to this office, Eleventh & Dumesnil Streets, Louisville, Ky.

J. H. MACLAY, Secretary.

Louisville, Kentucky, February 17, 1925.

TEXAS GULF SULPHUR COMPANY

A quarterly distribution of $1.75 per share has been declared by the Board of Directors payable on March 14, 1925, to stockholders of record at the close of business on March 2, 1925. Stockholders will be advised later as to what portion of said distribution is from Free Surplus and what from Reserve for Depletion.

H. F. J. KNOBLOCH, Treasurer.

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A. BENZIGER, Proprietor

Dividends

American Telephone and Telegraph Company

142nd Dividend

The regular quarterly dividend of Two Dollars and twenty-five Cents ($2.25) per share will be paid on Wednesday, April 15, 1925, to stockholders of record at the close of business on Tuesday, March 17, 1925.

On account of the Annual Meeting of the Stockholders, the transfer books will be closed at the close of business on Tuesday, March 17, 1925, and reopened at 10:00 A. M. on April 1, 1925.

H. BLAIR-SMITH, Treasurer.

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Dividends

February 19, 1925.

The Board of Directors of the Metro-Goldwyn Pictures Corporation has declared a quarterly dividend of 1¾% on the preferred stock of this company, payable March 14th, 1925, to stockholders of record at the close of business February 28th, 1925. Checks will be mailed.

DAVID BERNSTEIN, Treasurer.

REPUBLIC IRON & STEEL COMPANY

The Annual Meeting of the Stockholders of the Republic Iron & Steel Company will be held at the offices of the Company, 1 Exchange Place, Jersey City, N. J., on Wednesday, April 8th, 1925, at 11 o'clock in the forenoon for the transaction of any and all business that may properly come before the meeting. Transfer books of the Company, both Common and Preferred, will close at 3 P. M., March 9th, 1925, and reopen at 10 o'clock A. M., on April 9th, 1925.

RICHARD JONES, JR., Secretary.

E. I. DU PONT DE NEMOURS & COMPANY

Wilmington, Del., February 16, 1925.

The Board of Directors has this day declared a dividend of 2½% on the Common Stock of this Company, payable March 16, 1925, to stockholders of record at close of business on March 5, 1925; also dividend of 1½% on the Debenture Stock of this Company, payable April 25, 1925, to stockholders of record at close of business on April 10, 1925.

CHARLES COPELAND, Secretary.

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(*Continued from page* 794)

My acquaintances think I still buy my clothes from Tailor A, but I know differently, and so does my broker!

Strangely enough this business of paying cash has developed another by-product of great value. Now, before I pay top prices for a pair of theatre tickets, I calculate what that amount of cash represents in Pennsylvania Railroad Common, and instead of spending a quarter of a share of stock for an evening's entertainment, my wife and I are likely to confine our expenditure to not much more than the annual dividends on that stock. Try visualizing your "luxury" expenses in their equivalent value of U. S. Steel, or American Can, or some other well known stock, and I'll venture that you'll not spend nearly as much that you really don't need to spend.

Having drawn a check against monthly Income to cover the expenses handled by my wife, I have left money to cover "Husband's Expense," Taxes, Insurance, and Investments. The handling of these items is quite as simple as the handling of the House items. The amount represented by the budget for Taxes and Insurance I put in a Savings account each month, the first of that month, there to accumulate towards the payment of tax bills and insurance premiums, which, when they come due, are met by withdrawals from Savings.

Where the "Investment" Account Goes

The amount of the budget for "Investments" I put in Savings also, the first of the month, and when an amount sufficient to buy some shares of stock or bonds has accumulated, I withdraw the money to use it for this purpose. The important point is that each month, *the first of the month*, the sum for "Investments" called for by the budget is *actually drawn out* and put in a separate account, not to be touched for living or personal expenses.

You may say, "Well, it seems a great deal of trouble, this business of having so many accounts," but I have found from bitter experience that actually drawing out your money for these Savings items the first of each month just about triples the chances of being able to really live up to the Financial Plan. There may be a long name assigned to this freak or twist of human nature, but anyway the plan is effective.

So in its essentials the plan is this:

1. *Keep a record of expenses. From this you can*
2. *Make a fair Budget of planned Savings and planned Expense.*
3. *The first of the month divide your income into the following parts, in the order named:*
   - *a. Investments Budget, deposited in a Savings Account.*
   - *b. An amount to cover Budget for Insurance and Taxes, also deposited in Savings.*
   - *c. A check to cover Budget for House; Health, Recreation and Education; Miscellaneous; and Wife's Expense, is drawn and deposited to Wife's credit. Any items paid by Husband which come in the group for which the Wife is responsible, are paid back by Wife to Husband once a month.*
4. *Pay cash whenever possible.*
5. *When the amount in the Investments and Savings account is large enough, buy outright some good bonds or stocks with this money. Keep your purchases diversified, as between bonds, good preferred stocks, and good common stocks; and as between railroads, industrials, public utilities, motors, etc. Keep posted by reading some authoritative magazine on Investments such as* THE MAGAZINE OF WALL STREET.
6. *When you are fortunate enough to have your income increased, put a major portion of this increase into the item "Investments," some into "Insurance," and the balance, if necessary, into Expenses.*

Above all, you must live within your income, take your money for Savings out and put it away the first of the month, and build a substantial bulwark of good stocks, bonds, and insurance against the future.

WHY SOME MINING COMPANIES PAY DIVIDENDS APPARENTLY NOT EARNED?

(*Continued from page* 762)

It was thought that by diamond drilling the areas of porphyry ores could be accurately gauged and a basis established to charge off for the yearly amount of ore extracted. The idea worked better in theory than practice. It was found in practice that in no case had the original drilling finally limited the ore bodies and that as time went on it was possible to add new reserves which more than equalled the ore extracted. Nevada Consolidated is a case in point. When the company began production in 1908 it was figured that the mine had a life of about 22 years. Nevada has been producing for 17 years and today it has a minimum life of nearly 27 years.

Effect of Taxation

With the advent of the great war the resultant heavy, corporate taxation, a most pressing argument in favor of ore depletion charges came into being. The more a company was allowed to write off the less taxes it paid, hence every mining company at once

(*Please turn to page* 798)

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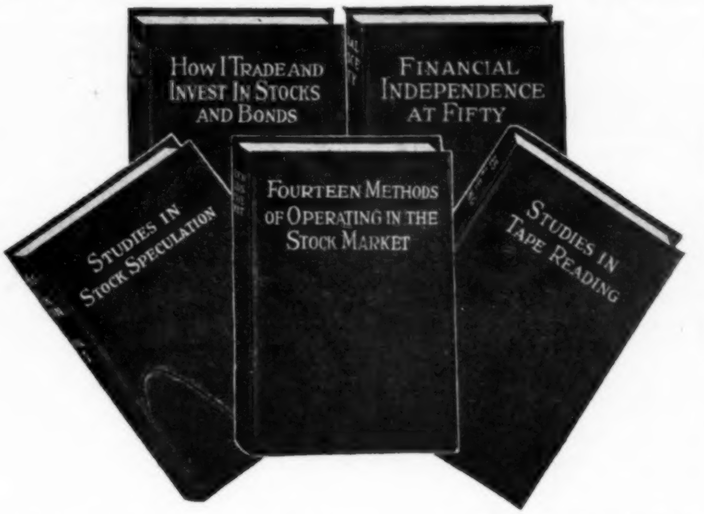

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(*Continued from page* 796)

proceeded to write up depreciation and depletion to the limit allowed by law. The result worked havoc in net earnings available for dividends. Investors saw the anomaly of company paying substantial dividends which apparently had not been earned. Had there been no depletion charges dividends would have been easily earned in many instances.

It is not the purpose of this article to enter into an extended discussion of the basis for mining depletion charges. The subject is extremely involved and there is much diversity of opinion in regard to it. The theory of mining depletion calls for the charging off each year enough so that, when the mine is exhausted, its cost will have written down to zero. There is great difficulty in putting this theory in actual practice for reasons already indicated. The law allows three bases for determining cost, 1) the actual cost of the property in dollars, 2) its so-called "discovery" values as determined within 30 days after the date of discovery, and 3) the value of the property as of March 1, 1913. The third method applies only to properties in operation prior to that date. The usual method is to figure on the actual cost of the property.

In the accompanying tabulation there appears a wide diversity in depreciation and depletion charges. Cerro de Pasco, for instance, charged off approximately $6,271,000 in 1923 for depreciation and depletion, of which about $2,271,000 was for depreciation and approximately $4,000,000 was for depletion. Nevada Consolidated, on the other hand, charged off approximately $526,000 for depreciation and nothing for depletion. It is obvious that such wide differences in accounting practice are inevitable in view of the great differences existent between various mining properties. In the case of companies which do not include depletion charges in the earnings statements, it may be safely assumed that such charges are included in their tax reports to the Treasury Department.

Oftentimes companies which are making a lot of money like to reduce the ratio of their earnings by making a liberal depreciation and depletion allowance. Such charges must be made each year and are not cumulative. By the same token, other companies not so prosperous are able to make better income statements if they omit depletion charges. In other words, whether these charges are included in annual statements or not, often depends upon what the management wants to show.

The Investors' Viewpoint

In considering the earnings of mining companies, therefore, the investor should not take the matter of depletion charges too seriously, except in the case of companies whose span of years is definitely indicated and whose end is not far distant. Of such companies there are comparatively few.

In making comparisons of present-day earnings with the pre-war earnings, the investor should include depreciation but disregard depletion charges, except in the case of those few companies which have written off depletion in each year of operations during those two periods.

Oftentimes a company may be earning dividends, though reporting a deficit for the year, if one figures earnings on a pre-war basis. In short, the tax-born, bookkeeping entry of depletion of mining ores is chiefly employed to save money for the stockholders by keeping down taxes. This practice is entirely legitimate but should not confuse the investor as to the status and earning power of the company in which he is interested.

SCHOOL FOR TRADERS & INVESTORS

(*Continued from page* 764)

stocks that are being sold by weak holders, or by those who must raise cash for emergencies, or by others who think they must sell to avoid ruin. Business is dull, merchants face heavy losses, profits are reduced or have disappeared altogether, purchasing power of both employers and employees is low, and the public is blue. At this stage most ordinary speculators are "broke." This accounts for the fact that they seldom, if ever, buy stocks near the bottom. The banking situation is characterized by a large ratio of deposits and cash to loans, money is a drug on the market and interest rates are low.

Large operators accumulate extensive lines of good stocks while these issues are selling at bargain prices. The general public, on the other hand, having been stung by a recent drastic decline, remains out of the market and nurses its financial injuries.

When accumulation of stocks has proceeded to the satisfaction of large operators, and there is no further advantage to be gained by manipulation for the purpose of shaking stocks out of weak hands, these operators begin their marking-up process. Another reason for gradual recovery of prices is arbitraging between the yield on sound issues and interest on loans. This is done to a considerable extent by banks, in view of low interest rates and abundance of cash. Business confidence begins to revive, unemployment is reduced, and sellers, rather than buyers, begin to fix prices.

The upward swing of security prices is now under way, with bonds in the lead, followed in order by preferred stocks and common stocks. As these various issues rise in price, they are gradually distributed to the public as it begins to take an interest in the procedure. By the time the public in-

(*Please turn to page* 800)

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(Continued from page 798)

terest is thoroughly aroused, bonds are at the top and beginning to decline, and operators are distributing stocks at a rapid rate. The decline in bond prices is a natural sequel to rising interest rates on money. Stock prices continue to rise, however, owing to rapidly increasing demand on the part of the public which now has surplus funds accumulated from prosperous industries running at full capacity.

Business men now begin to expand their operations and increase the capacity of their plants. Many of them, unfortunately, over-extend their activities with borrowed money, and thus develop conditions for more or less expensive liquidation later on, which may lead in many cases to financial disaster.

Cash holdings of banks decrease while loans increase faster than deposits. Interest rates rise gradually, and the general character of loans becomes inferior, thus increasing the risk of loss.

As bond prices weaken, stock market activity increases, with a rapidly decreasing rate of advance in the average price level in proportion to the greatly increased volume of trading. Wise operators now complete their distribution and convert their holdings into cash. Manipulation now makes the market very active, mostly for the purpose of giving it the appearance of strength in some quarters while further distribution is carried on elsewhere, and all frank reports of a pessimistic nature are suppressed as long as possible. The public is filled up with all the highly speculative common stocks at top prices, as usual. No publicity is given to short selling on the part of large operators who understand the situation and anticipate the decline.

At this time business is generally booming, industries are working overtime, there is a scarcity of labor, and commodity prices have reached high levels. New bond and stock issues are floated on a large scale. The increase in loans is rapid and out of proportion to deposits and cash holdings. Interest rates rise rapidly, and brokers' loans reach record figures, with frequent calling of demand loans, thus forcing the liquidation of stocks carried as collateral.

The average price of stocks now begins to decline, slowly at first, then more rapidly. As more people become aware of the situation, the selling becomes more urgent, until finally everybody wants to sell at the same time, and drastic liquidation is under way. The decline is usually accomplished in about half the time required for the advance. While this is proceeding, business continues to boom and to all superficial appearances there is no change in the situation. This is why most inexperienced speculators, including a large percentage of business and professional men, usually overstay the market and realize the true situation after their profits have been reduced, wiped out, or converted into losses.

At this stage of the cycle, money rates are at record levels and bank loans have passed deposits. Banks call demand loans, brokers call for more margin, speculators liquidate, and credit structure collapses in proportion to its previous over-extension. A period of depression ensues and continues until economic readjustment has run its course; and by that time large operators have reaccumulated their favorite lines of stocks and are waiting for the cycle to repeat.

The sophisticated trader follows the example set by the large operators, and avoids the mistakes made by the uninformed or misinformed public.

INCOME TAX DEPARTMENT

(Continued from page 766)

can be deducted from your other income.

Many Important Ones

Q. (1) Must a dower right in money, and a legacy be included in income? (2) If a corporation or company fails to pay any dividend on money invested in their stock, can that be deducted as a loss? (3) How is the depreciation in value of real estate to be figured? (4) Who are the proper parties to whom to apply for the federal tax blanks? (5) What number of blank would be required by a person with only a small income from money invested and rent from real property, in federal blanks?—E. A.

A. (1) Dower rights and legacies are not taxable as income. (2) No loss can be deducted for the failure of a corporation to pay any dividend. (3) Depreciation on real estate is figured on the cost of the building only as land is not depreciable. The rate of depreciation is determined according to the estimated remaining life of the property at the time of its acquisition. (4) Federal tax blanks can be secured from your local Collector of Internal Revenue. State tax blanks can be secured from the taxing official of the State. (5) The federal blank that would be required in the case described by you, would be Form 1040.

Straus Bonds

Q. I hold a Straus bond which has a tax-free provision in it up to 4%; that is, the Straus Company pays 2% at the source and refunds the other 2% to me. How shall I treat this in my return?—J. A.

A. The 2% refunded to you should be reported by you as additional interest. You can take as a credit against the tax due by you, the 2% that has already been paid at the source for you.